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September 30, 2005

BY HAND DELIVERY AND E-FILE

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-27

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), are the following:

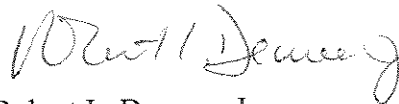
- (1) an original of Bay State's Reply Brief in the above matter;
- (2) Bay State's Final Revenue Requirement Schedules, submitted for changes, modifications and corrections identified during the proceeding, and demonstrating a reduction in Bay State's revenue requirement request; and,
- (3) Bay State's Final Supplement to Exh. DTE-15-58 (Supp. 6), Rate Case Expense (public version).

Please note that Exh. DTE-15-18 contains Confidential materials that are deemed protected pursuant to a Motion previously filed with the Department. The Confidential materials are provided under separate sealed cover to the Hearing Officer.

BOS1527149.1

Please do not hesitate to contact either me at the number above, or Patricia M. French, Esq., of NiSource Corporate Services, at 508-836-7394 with any questions.

Very truly yours,



Robert L. Dewees, Jr.

RLD/tlm  
Enclosure

cc: Caroline O'Brien Bulger, Hearing Officer (2 copies)  
Paul E. Osborne, Assistant Director – Rates and Rev. Requirements Div. (1 copy)  
A. John Sullivan, Rates and Rev. Requirements Div. (21 copies)  
Andreas Thanos, Assistant Director, Gas Division (1 copy)  
Alexander Cochis, Assistant Attorney General (4 copies)  
Service List (1 electronic copy)

**THE COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

**D.T.E. 05-27**

**REPLY BRIEF OF  
BAY STATE GAS COMPANY**

**IN SUPPORT OF  
BAY STATE GAS COMPANY'S  
REQUEST FOR AN INCREASE IN BASE REVENUE  
AND OTHER RATE MODIFICATIONS**

**BAY STATE GAS COMPANY**

By its Attorneys,

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DATED: September 30, 2005

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## **I. SUMMARY OF BAY STATE'S NEED FOR RATE RELIEF AND RATE RECOVERY MODIFICATIONS**

This is the first full base rate proceeding for Bay State Gas Company ("Bay State" or the "Company") since 1992, thirteen years ago. During that period the Company has done everything possible to manage its costs within the rates allowed by the Department. However, the substantial capital investments it has made in its distribution infrastructure since 1992, and increased operating costs, both of which have occurred during recent years of little or no revenue growth and declining average sales per customer, have made a base rate increase necessary. In its filing, the Company has also proposed an accelerated steel infrastructure replacement ("SIR") program, a 5-year Performance Based Regulation ("PBR") plan, and a pension and post-retirement benefits other than pensions ("PBOP") reconciling mechanism.

Since 1992, Bay State has expended \$513,234,784 for gross plant additions. Exh. BSG/DGC-7. These additions have resulted in a 45% increase in Bay State's rate base since 1992, from \$273,000,000 to \$397,000,000. Exh. BSG/JES-1, p. 5; D.P.U. 92-111 at 349. Many of these additions have been for reliability and safety improvements as well as meter and technology additions that ensure the operational integrity of the Company's distribution system, but do not produce additional revenues. Approximately 70% of all plant additions have been for non-revenue producing plant. Exh. UWUA-1-13(b).

In recent years, Bay State's diligent efforts have succeeded in controlling its operation and maintenance costs. During its 5-year rate freeze, which expired in 2004, Bay State's operations and maintenance costs declined, on average, 2.2% per year in inflation adjusted terms. Exh. BSG/LRK-1, p. 12. Moreover, Dr. Kaufmann, the Company's PBR witness, determined that "Bay State is a significantly superior O&M cost performer within the U.S. gas distribution

industry.” Exh. BSG/LRK-1, p. 14. Like many companies, Bay State is now experiencing substantial cost increases for wages and benefits, insurance, property taxes and bad debt expense. Exh. BSG/JES-1. Even with these increases, which are reflected in Bay State’s filing, the Company’s total operation and maintenance expense adjustments in this proceeding show a slight decrease from test year levels. Exh. BSG/JES-1, Sch. JES-6 (Revision 1).

Bay State has begun a proactive and aggressive program, the SIR program, to replace its aging and deteriorated bare steel and coated, but not cathodically-protected, steel mains and services. This steel infrastructure was installed in the 1950s and 1960s, during a period when the use of natural gas grew rapidly in Bay State’s service territories. Those steel mains and services are now experiencing accelerating leak rates due to their age and corrosion, and are rapidly coming to the end of their useful life.

Although an independent consultant found that Bay State “has demonstrated excellent leak management,” it is abundantly clear that accelerating corrosion-related leaks are creating an increasingly significant reliability and public safety risk. Exh. AG-2-16, Att. AG-2-16(a) at 3; Exh. BSG/DGC-1, p. 21. In the past, Bay State replaced bare and unprotected steel in its system by analyzing individual pipe segment leak rates and replacing the worst performing segments. Exh. BSG/DGC-1, p. 16. However, the leak rates in the bare and unprotected steel mains and services have increased to the point where a more comprehensive, area-wide approach must be undertaken. Therefore, to remove the deteriorated piping, Bay State has commenced an aggressive SIR program, requiring an estimated total investment in new gas distribution infrastructure in Massachusetts of \$305 million. Exh. BSG/DGC-5. This approach will be more

cost-effective than the previous approach of replacing individual segments, because the Company will be able to bid the work to contractors more competitively, resulting in lower overall replacement costs.

To recover the capital costs of this program, and to avoid frequent rate cases, the Company has proposed a SIR Base Rate Adjustment to recover annually, after Department review and approval, the capital costs of the SIR program reduced by savings in operations and maintenance costs resulting from the program. The adjustments will produce relatively small and predictable rate increases, and will obviate the costs and administrative burdens on all parties and the Department, and avoid rate shock to customers, that would result from rate cases filed to recover the SIR program costs absent the adjustment mechanism proposed by Bay State.

The Office of Pipeline Safety of the U.S. Department of Transportation submitted a Report to Congress in May, 2005 that outlined the proactive approaches natural gas operating companies and state governments should take to ensure gas distribution safety and reliability.<sup>1</sup> The Report concludes that “[t]he distribution pipelines posing the highest risk tend to be older systems that are cast iron, bare steel (i.e. not coated to protect against corrosion), and coated steel pipe not subject to cathodic protection.” Id. at 16. The NARUC Board of Directors adopted a Resolution on February 16, 2005 that accompanies the Report, acknowledges the important role of state regulatory agencies in distribution pipeline safety, and encourages gas distribution companies to develop distribution pipeline integrity management programs. Id. at Attachment 3.

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<sup>1</sup> “Assuring the Integrity of Gas Distribution Pipeline Systems,” A Report to the Congress, May 2005, Office of Pipeline Safety, Pipeline and Hazardous Materials Safety Administration, U.S. Department of Transportation; Exh. BSG/DGC-17.



A number of states already have adopted accelerated gas main replacement programs. RR-DTE-5; RR-DTE-52. The Department should endorse Bay State's SIR program and approve its base rate adjustment mechanism in this proceeding.

While certain of the intervenors allege that Bay State has failed to maintain the safety and reliability of its natural gas distribution infrastructure and that it currently provides sub-par customer service, the record in this proceeding contradicts those allegations.

The Attorney General objects to Bay State's SIR program and instead recommends an approach he calls "safety first," where only the worst segments of steel pipe are replaced. AG Reply Br. at 4. As mentioned, such an approach had been followed by the Company for many years, but the accelerating leak rates now being experienced make that approach inadequate and, if continued, would unacceptably increase the risks to system reliability and public safety. Moreover, under the Attorney General's segment-by-segment approach, overall costs for customers would be higher than they would be under the Company's SIR program.

Certain of the intervenors have criticized Bay State for shortcomings in customer service, largely in the 1998-2001 time period. During this period, Bay State underwent a number of major organizational changes. It was acquired by NIPSCO in 1999, NiSource was formed, and NiSource then merged with the Columbia Energy Group in 2001. Exh. BSG/SHB-1, p. 16. Bay State has acknowledged its service quality difficulties in that period, but that is now past history. In 2003, the Office of the President of Bay State was transferred to Massachusetts, providing for greater local control over the Company's operations and improved customer service. Tr. 3307-8. Beginning in 2001, the Company focused on efforts to improve call center performance by

adding staff and upgrading its call center technology. Tr. 3299. For example, in 2003, an integrated voice response system was installed along with a new telephone system. In 2004, new software systems were added to the call center. Tr. 3163. As a result, in 2002, 2003 and 2004 Bay State met or exceeded all of the Department's service quality measures. Exh. BSG/SHB-1, p. 30.

Bay State is mindful of the burden any rate increase places on customers, particularly during this period of high gas commodity costs, over which Bay State has little control. The Company offers a number of programs to help customers manage high gas commodity costs. It encourages low-income customers to utilize the targeted low-income discount rate and fuel assistance programs. It offers energy efficiency programs for low-income, multifamily, residential, commercial and industrial customers. It offers a number of customer payment options. Bay State regularly participates in the Good Neighbor Energy Fund and helps fund its media outreach programs. As part of this proceeding, Bay State agreed with the Massachusetts Association for Community Action ("MASSCAP"), the Low-Income Weatherization and Fuel Assistance Network and the Low-Income Energy Affordability Network to implement and fund a heating system replacement program, an arrearage pilot program and enhanced protocols to inform low-income customers of energy efficiency programs.

**A. Parties Filing Reply Briefs**

Pursuant to the procedural schedule established by the Department, Bay State submits this Reply Brief to respond to positions of the intervenors. Reply Briefs were submitted on September 26, 2005 by the Attorney General of the Commonwealth ("Attorney General"), the

Division of Energy Resources (“DOER”), Massachusetts Oilheat Council, Inc. (“MOC”), Utility Workers Union of America Local 273 (“UWUA”), United Steelworkers of America (“USWA”) and Associated Industries of Massachusetts (“AIM”). Because of the comprehensive scope of its Initial Brief, Bay State does not repeat every argument made there in this Reply. Failure to address a particular issue in this Reply, as in its Initial Brief, does not constitute Bay State’s assent to any other party’s position on that issue, but rather reflects Bay State’s assessment that the claim or position was unsupported by the record and/or is immaterial or collateral to the relevant issues in the proceeding.

## **II. THE ATTORNEY GENERAL’S RECOMMENDED RATE REDUCTION IS UNREASONABLE**

It appears that the Attorney General has recommended the highest possible rate reduction for Bay State, regardless of its effect on the Company and its financial condition. For instance, the Attorney General proposed in his Initial Brief a reduction of \$14 million from Bay State’s current rates. In his Reply Brief, the Attorney General proposed a rate reduction in excess of \$20 million. Aside from the inconsistency between the Initial and Reply positions of the Attorney General, an examination of the \$20 million rate reduction proposal reveals substantial flaws. For example, the Attorney General appears to have double-counted the revenues attributable to service under a special contract, amounting to \$404,000. Further, he has, without justification, proposed the disallowance of certain recoverable costs, including not only Bay State’s requested pension and PBOP expense reconciliation adjustment, but also the Company’s entire \$5,026,421 pension and PBOP expense. Also omitted, perhaps inadvertently, is Bay State’s EP&S bad debt expense. Endorsing the position of UWUA, the Attorney General adds a

cost disallowance for the Westborough building lease expense not included in his Initial Brief and not included in his final schedules.<sup>2</sup>

In addition, the Attorney General refers to recent national increases in energy commodity costs and proposes that his \$20 million proposed decrease in Bay State's rates will, apparently, provide an offset to Bay State customers for the current high commodity costs of natural gas. AG Reply Br. at 1-3.<sup>3</sup> As part of this proposal, he has sought to introduce new evidence unaccompanied by a motion requesting admission of that evidence: specifically, a discussion of increases in natural gas prices in light of Hurricanes Katrina and Rita and a recent newspaper article. AG Reply Br., Attachment A; AG Reply, Br. at 1-2 and fn. 1. Attachment A to the Attorney General's Reply Brief is a newspaper article containing information purportedly derived from Department records. The Attorney General seeks admission of the article by "official notice." AG Reply, p. 2, fn. 2. However, only the Department's records may be admitted on this basis and then only after a party has had an opportunity to review those records and frame an appropriate objection, if warranted, to their inclusion in the record.<sup>4</sup>

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<sup>2</sup> The Attorney General also recommends, but his final schedules do not reflect, adjustments for gains on the sale of the Westborough building and on the propane facilities, self insurance expenses, CWIP, postage increase, non-utility property taxes or inflation for capital costs.

<sup>3</sup> The Attorney General asserts, for the first time in his Reply Brief, that Bay State has failed to take steps to mitigate the cost of its gas supply. AG Reply Br. at fn. 1. This assertion has no record support, and, in fact, the Department has found Bay State's gas supply planning process to be consistent with Department requirements. Bay State Gas Company, D.T.E. 02-75 (2004) at 25.

<sup>4</sup> The Department's procedural rules govern official notice. 220 CMR 1.10(2).

### **III. STEEL INFRASTRUCTURE REPLACEMENT PROGRAM**

The Attorney General continues to be concerned with a “continued deterioration” of infrastructure. AG Br. at 2. However, as Bay State has demonstrated, it is hardly surprising that unprotected steel pipes installed in the 1950s and 1960s are corroding. See, Tr. 330, 865, 3290, 3368-3369. The fact that the pipes need to be replaced over a similar relatively short time period is also not a surprise: they were installed over a relatively short period and are now, as a class of facilities, coming to the end of their useful lives over a relatively short period. Tr. 59, 70, 275, 2004, 3290, 3886. The Company’s SIR proposal deals with the means and timing of the unquestionably necessary replacement of Bay State’s remaining unprotected steel infrastructure and that the Department should grant Bay State a reasonable method of rate recovery for that non-discretionary, accelerated capital investment.

On Reply, the Attorney General argues once again for the premise that although the deterioration of the remaining unprotected steel infrastructure is evident, the Company has not proven the necessity for the accelerated replacement of its “entire unprotected steel mains and services infrastructure at customer expense.” AG Reply Br. at 4. Endorsing what he calls a “safety first” approach, the Attorney General asserts that the record supports addressing the worst pipe segments first, rather than the Company’s area-wide geographic replacement.<sup>5</sup>

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<sup>5</sup> The Attorney General claims that his approach, used for Bay State’s affiliate, Northern Utilities, Inc.’s, bare steel replacement ending in 1999, was able to effectively reduce the leak rate in New Hampshire. AG Reply Br. at 4. However, in the decision referenced by the Attorney General, Northern and the New Hampshire Public Utilities Commission both recognized that the leak rate in New Hampshire could reverse. Bay State believes this approach is reactive to the safety issue, not pro-active, and is inappropriate for adoption as Bay State’s replacement strategy.

Bay State has never denied that prioritizing the worst performing segments for replacement is an appropriate method, and indeed the Company has applied this method for replacement decisions in the past. Tr. 2443. However, the record also demonstrates that such a method will be insufficient to protect either the integrity of the Bay State system or public safety, because of the undeniable reality of the increasing leak rates on the unprotected steel system. See e.g. Tr. 59, 69, 278-279, 281, 320, 681-682. Bay State's General Manager has testified in this proceeding repeatedly and emphatically that the systematic geographic replacement of the offending pipe must be conducted and will be continued, and that geographic replacement is undertaken now in order to protect the public from the possibility of an incident in which bodily injury or death may result. Tr. 296, 3319-3320. Immediate replacement of dangerous pipe outside the geographic replacement zone will also continue to take place. Bay State will still address the worst performing segments, and the incremental SIR program will address the accelerated geographic replacement of unprotected or bare steel.

Accepting the premise that pipe replacement must take place, the Attorney General's preferred method will be more costly and less efficient than Bay State's approach, which is more cost-effective, produces operations and maintenance savings that will be flowed through to customers, and which addresses in a more timely manner an increasing public safety issue.

The Attorney General argues on Reply that "there can be no doubt that the Company failed to maintain its system properly." AG Reply Br. at 6. Once again this argument is not supported by the evidence or logic. The record provides no evidence of any deferred maintenance or deferred infrastructure replacements. In fact, Bay State has expended over \$500

million in plant investment since its last base rate proceeding, which now qualifies for inclusion in rate base. Bay State exceeds the standards for leak detection by surveying its entire system each year; Bay State also exceeds the general industry practice by immediately repairing all of the most dangerous Type 1 leaks and by repairing all Type 2 leaks prior to the upcoming winter, except in unusual circumstances.<sup>6</sup> Exh. AG-2-16(a), p. 3 (Bay State “has demonstrated excellent leak management.”); See also Tr. at 359.

Even by choosing to examine pipe abandonments, the Attorney General can demonstrate no pattern of a failure to spend on pipe replacement. AG Reply Br. at 6. The Company’s replacement activity is better measured in miles of main replaced. Exh. AG-14-1; Exh. AG-2-39. Replacements by miles are consistent from 1998 through 2002 when compared to the period 1986 through 2003. Exh. AG-14-1. Nevertheless, even if one chooses to look at abandonments to determine Bay State’s pre-and post-merger replacement rate, the Attorney General’s abandonment percentage is faulty because it is derived by selecting an historically high year as a starting point and an historically low year for an end point. Exh. AG-14-1; Exh. AG-2-39.

The Attorney General misquotes a report by R.J. Rudden to support his claim that Bay State’s “own expert . . . believes that [its] approach to unprotected steel main replacement in Brockton has been insufficient to offset its corrosion leak problems there.” AG Reply Br. at 6. The Attorney General selected the following excerpt from the Rudden report: “It is Rudden’s

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<sup>6</sup> In its Initial Brief, Bay State inadvertently stated that the “most dangerous Type 3 leaks” were repaired and addressed immediately by the Company. Bay State’s Initial Br. at 35. The Company intended to state that it promptly addresses those leaks that present an immediate danger to public safety, the Type 1 leaks.

opinion that BSG's efforts in replacing its aging bare and unprotected coated steel mains in the Brockton Division have not stemmed a continuing increase in Brockton's corrosion leaks." Exh. AG-2-16, Att. AG-2-16 (a), at 3. Omitted was the immediately preceding sentence: "Based on BSG's Leak Backlog/Repair Ratio comparison to national and regional companies, BSG has demonstrated excellent leak management." Exh. AG-2-16, Att. AG-2-16 (a), at 3. Nor did the Attorney General include the sentence immediately following: "Furthermore, this is a signal that BSG needs to invest more resources in its bare and unprotected coated steel replacement efforts, in order to keep up with the problems and risks associated with its remaining bare and unprotected coated steel pipes." Exh. AG-2-16, Att. AG-2-16 (a), at 3.

The Attorney General also reiterates on Reply his claim that certain of Bay State's information provided in support of its historic replacement levels is incorrect. AG Reply Br. at 6-7. The sole support for this argument is his supposition (completely belied by the evidence) that Bay State deferred replacements. To the contrary, the record demonstrates that Bay State has consistently replaced deteriorated pipe throughout its system, that Bay State has exceeded (and will continue to exceed) leak survey standards in its attempt to proactively identify failing pipe, and, that Bay State intends to replace failing unprotected pipe as it is identified whether or not it exists in the geographic replacement parameter of the SIR. See e.g. Exh. AG-2-16(b), p. 6; Tr. 359.

Finally, several of the intervenors continue to protest the rate adjustment mechanism proposed by Bay State to keep its earnings abreast of its accelerated capital investment in the SIR program. See, e.g. AG Reply Br. at 47. The Attorney General suggests that approval of the



adjustment will increase the regulatory workload for parties that regularly have their rights and obligations adjudicated before the Department. Id.; see also, AG Reply Br. at 8 (“filings will involve thousands of pages”); but see AG Reply Br. at 9 (refers to “accelerated payments”). However, in its request for the ABRAM, Bay State is merely asking the Department to alter the timing of the review for a portion of its capital investments. The breadth of information required to support an ABRAM filing is completely within the discretion of the Department. In Bay State’s view, the review required would be consistent with that undertaken for plant investment in a general rate proceeding. Tr. 3323. The ABRAM will permit the Department to review a significant element of Bay State’s cost structure in a timely, manageable, annual filing. Id.

The approval of the SIR will not cause other utilities to flock to the Department: there is no evidence on this record that other companies are similarly situated with regard to their infrastructure (let alone the electric and water utilities cited by the Attorney General).

#### **IV. REVENUE REQUIREMENT ISSUES**

##### **A. Rate Base**

##### **1. Customer Information System**

The Attorney General continues to assert that the record supports a complete disallowance of the costs incurred by Bay State in implementing its current Customer Information System (“CIS”), rather than permitting those costs to be included in Bay State’s rate base. AG Reply Br. at 18.<sup>7</sup> The Attorney General’s position, that 100% of the costs of a system

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<sup>7</sup> The Attorney General admits an error and states that the Company’s net investment in the CIS system is the amount he seeks to have disallowed. AG Reply Br. at 19, fn. 11. Initially, the  
(Footnote continued on next page)

that is currently in use and proving benefits to customers, should be denied because it is without merit for the reasons contained in Bay State's Initial Brief. Bay State Initial Br. at 53-57. The Attorney General claims that Bay State made "no effort" to control costs and "failed to put the project out to bid." AG Reply Br. at 18. He also dismisses the Meta Group study that determined Bay State's CIS investment was reasonable based on the experience of utilities of similar size to Bay State. The Attorney General, however, takes the position that the utilities referenced in the study are not similar in size to NiSource. Compare Bay State Initial Br. at 56-57; Exh. AG-3-16 (Supplemental); RR-DTE-109; RR-DTE-113 with AG Reply Br. at 11, 18-19.

As Bay State has described, it had in place procedures and protections to ensure cost review and containment for the CIS. Bay State Initial Br. at 53-57. The CIS required fast action and critical implementation timing in 1999 to meet wide-spread Y2K concerns. Id.; Tr. 2529-2584. The CIS was familiar to Bay State through its affiliate, NIPSCo, and therefore required less time to bring into service. Id.

Moreover, Bay State's implementation costs were reasonable. The Meta Group correctly compared Bay State to small utilities for benchmarking the CIS implementation cost. Exh. AG-3-16 (Supplemental). NiSource today (as the third largest natural gas distribution company in the United States) is far larger than it was in 1999. CIS installed at Bay State was not used by the Columbia companies after the NiSource/Columbia merger in 2000. Therefore, Bay State did not benefit from the economies of scale and lower per unit costs of implementation for larger

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*(Footnote continued from previous page)*

Attorney General claimed that the gross plant investment should be disallowed, overstating the adjustment by more than \$10 million.

utilities that the Attorney General suggests for comparison purposes. The correct comparison is that used by Meta Group that demonstrates that Bay State has a reasonable per bill cost for its CIS on a going forward basis. Bay State Initial Br. at 56-57; Exh. AG-3-16 (Supplemental); RR-DTE-109; RR-DTE-113. Bay State has demonstrated the reasonableness of including the CIS in rate base, and the Department should allow it.

## **2. Revenue Producing and Non-Discretionary Plant Investment**

The Attorney General reiterates his claim that Bay State failed to demonstrate that it had “sufficiently” contained costs with regard to revenue producing plant investment and non-discretionary plant investment. AG Reply Br. at 19-20 (claiming Bay State “merely” identified growth projects by providing a summary list and asserting that the evidence of cost containment is not “clear and reviewable”).

Bay State rebutted these contentions in its Initial Brief by demonstrating that for revenue producing projects, Bay State calculates the O&M costs per customer, marginal capital costs, project life projection, weighted average cost of capital and risk adjusted discount rates for each project, and continually analyzes those parameters. Bay State Initial Br. at 47. For revenue producing and non-discretionary projects, Bay State requires formal write-ups where the budget variances exceed 10 percent. Bay State Initial Br. at 47-48; Exh. BSG/DGC-1, p. 42; Exh. DTE-16-19; Exh. DTE-16-13. All but one revenue producing project, contested by the Attorney General because it lacked a “report,” yielded post-construction internal rates of return that were greater than both the Company’s weighted cost of capital and its internal hurdle rate. Bay State Initial Br. at 47-48; Exh. DTE-3-22 (Revised); Exh. DTE-3-27 (Revised); RR-DTE-136; Tr. at

384. Of the fourteen revenue producing projects that the Attorney General claimed demonstrated cost variances, ten yielded positive post-construction internal rates of return, and the others had justified variances. Id.; Bay State Initial Br. at 49-50. Contrary to the Attorney General's assertions, the mere existence of a cost variance between the estimated and actual cost does not amount to imprudence, and no factual basis for such a claim exists in the record of this proceeding.

Moreover, with regard to both revenue producing and non-discretionary plant investment, the record evidence is clear that every Bay State project is subject to cost control measures. Id.; Bay State Initial Br. at 49-50; Tr. at 3394, 3399; RR-AG-87; Tr. at 2450; Tr. at 2448. These measures (in addition to requiring variance and cost information), include the negotiation of permit conditions, regular meetings with officials of affected cities and towns so they are aware of the impact of their decisions on the cost of construction, the competitive bidding of all jobs over \$50,000; competitive bids based on unit pricing, not time and materials; soliciting bids from 4-8 prospective bidders; inviting site walk-overs by prospective contractors to ensure accuracy of bids; and assigning an inspector to represent the Company's interests on the job site. Id.; Bay State Initial Br. at 45-46. The record is replete with documentary and testimonial evidence of Bay State's strong record of cost-containment and sound project management. Bay State Initial Br. at 45-50; Exh. DTE-3-22 (Revised); Exh. DTE-3-27 (Revised); RR-DTE-136; Tr. at 384; Tr. at 3394, 3399; RR-AG-87; Tr. at 2450; Tr. at 2448. In fact, Bay State makes every effort to control and contain construction costs. The record evidence warrants no adjustment to Bay State's plant investment, revenue producing or non-discretionary.

**B. Operating Expenses**

**1. Amortization of Gain on Sale of Westborough Building**

The Attorney General continues to argue that the gain on the sale of the Westborough headquarters should be greater than that calculated by Bay State. AG Reply Br. at 15-16. Except for a new argument that Bay State sold the property below its original cost, each of the arguments made on Reply is a reiteration of the arguments made initially by the Attorney General and which were rebutted by Bay State in its Initial Brief. Bay State Br. at 84-87.<sup>8</sup> However, new is the Attorney General's claim that the Department should calculate the gain based on "original cost as of the date of sale." AG Reply Br. at 16. This proposal is not consistent with Department precedent. The gain must be determined by the original cost of property as reflected on the Company's books as of the date of sale, not as compared to the original purchase price. The Company correctly calculated the gain, and therefore, the gain on the sale of the Westborough building as calculated by Bay State should be flowed back to customers. No additional adjustment is appropriate or warranted.

**2. Amortization of Gain on Sale of Propane Properties**

Once again the Attorney General argues that Bay State did not conduct a cost-benefit analysis of the sale of the propane properties and that, because the sale was to an affiliate, it should be closely scrutinized. AG Reply Br. at 16-17. Bay State responded to this argument in

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<sup>8</sup> The Attorney General asserts that retention of the Westborough building was an important aspect of the Department's merger approval in D.T.E. 98-31. The discussion in the Department's merger order regarding the Westborough headquarters was to ensure management would remain local, which today it is.

its Initial Brief as follows: (1) it competitively bid the sale; (2) EnergyUSA paid book value; and (3) the sale price with the associated real estate generated the gain. Bay State Initial Br. at 87-88. The concept of a cost-benefit analysis is illogical in the context raised by the Attorney General. The property was no longer necessary for operational or gas supply purposes. The sale was designed to produce maximum ratepayer benefit by subjecting it to public competitive bidding. The sale ensured arms length pricing with an affiliate by subjecting the property to public competitive bidding. This sale did not result in the “payment by a utility to an affiliate” as suggested by the Attorney General. See AG Reply Br. at 17. The sale was fair, the outcome reasonable, the transaction was at arms-length. The gain should be allowed to be recovered by ratepayers as calculated by Bay State. No further adjustment is warranted or justified on the record.

### **3. Amortization for Metscan Undepreciated Investment and Lease Buy-Out**

The Attorney General mischaracterizes Bay State’s analysis of the Metscan issue in his Reply Brief. AG Reply Br. at 37-39. First, the Company stated that no party contested the inclusion in Bay State’s costs of the Metscan lease payment buyout as an amortization expense; Bay State also stated that no party contested the adjustment required to reflect *the removal* of the test year Metscan lease expenses from Bay State’s O&M expense. Bay State’s Initial Br. at 108, 113. Both statements are true. The Attorney General’s argument in his Initial Brief addresses the Department’s standards for inclusion of plant in rate base and therefore was relevant only to Bay State’s request to recover its undepreciated balance. AG Br. at 87-91. However, the Metscan lease buy-out expense is the amortization of an operating expense, and is not plant. The

Attorney General has now revised his position. Nevertheless, his initial argument is invalid and should be dismissed.

Second, the basis for the requested treatment of both amortizations, the undepreciated investment and the significant non-recurring lease buy-out expense, is that Bay State made the investment in the Metscan property based on a prudent management decision and that the property and leased assets served the Company and its customers well for almost a decade, providing millions, if not millions, of accurate meter readings. Bay State's Metscan investment was reasonable when made and was prematurely retired following a reasoned business assessment of its continued viability. The rationale employed by the Department in permitting amortized recovery of a prudent and prematurely retired investment is applicable.

Finally, the Attorney General claims that Bay State "created the nature and amount" of its lease obligation for "substandard equipment" and that this is not an "unanticipated expenditure." AG Reply Br. at 39. Bay State fundamentally disagrees. Bay State was only able to assess the continued viability of the Metscan devices as large numbers of the meters first deployed in 1991 came back for battery replacement and overhaul. Tr. at 985-986. At the time of the sale lease back in 1998, Bay State had no reason to anticipate the broad extent of the problem when the devices were installed on outside meters. Tr. 979-1027 (Problem identified in 2000). Nor could Bay State foresee that Metscan would discontinue supporting the technology. In all ways, the selection and installation of the metering devices was reasonable based on what was known at the time the decision was made; the meter devices were in service to ratepayers for nearly a decade and provided millions of accurate meter readings over that time; Bay State's decision to

lease the units was unrelated to the later determination that the devices installed on outside meters would need to be replaced; and Bay State's decision to replace the technology with the more widely used radio-based Itron technology was reasonable based on what Bay State knew at the time. For all these reasons, the Department should reject the Attorney General's arguments regarding the amortization of the undepreciated Metscan investment and the lease buy-out payments and grant Bay State recovery of those amortizations.

#### **4. IBM Contract - Projected Savings**

The Attorney General persists with his position that the Department should reduce Bay State's annual O&M expense by \$3.43 million for projected, multi-year cost savings estimates that have been reported in forward-looking securities disclosures and which may be produced in the future (10-years) for Bay State's affiliates. AG Reply Br. at 41-43. The Attorney General also reiterates concerns with regard to potential service deficiencies, and ignores evidence that Bay State met and/or exceeded all of the Department's service quality standards in 2004, 2003 and 2002. Compare, AG Reply Br. at 41 with Exh. BSG/SAB-1, p. 30. He then points to potential staffing changes without citation and claims that staffing levels were increased in the test year in an effort to inflate test year revenue requirements. AG Reply Br. at 42.

The Attorney General is far afield with this argument. For one, there are no known savings yet with regard to the business services agreement between IBM and NiSource. Bay State's Initial Br. at 10-12. The Attorney General's proposed adjustment fails to meet the Department's standard for "known and measurable" adjustments suitable for ratemaking purposes. The Attorney General conveniently ignores that the multi-year savings are projected



to occur only over the full term of a ten (10) year agreement, and it would be completely inappropriate to reduce Bay State's current O&M for ratesetting purposes in anticipation of possible future savings that may occur, if at all, by the end of the agreement. Exh. DTE-18-1; RR-AG-9; RR-AG-10. The Attorney General acknowledges that the costs to achieve these savings should be amortized over the life of the contract, but fails to provide that calculation. See AG Reply Br. at 43. Other similar assertions with regard to early savings to be generated by the contract are completely without support in the record. See AG Reply Br. at 43. Any examination of a possible adjustment related to purported IBM savings should wait for Bay State's next rate proceeding at the end of its five (5) year PBR. The Attorney General's proposed adjustment that would arbitrarily, and without record support or legal precedent, reduce Bay State's operating expense by \$3.43 million should be denied.

#### **5. Westborough Lease Expense**

The Attorney General agrees with the UWUA that the allocated cost of the Westborough lease expense should be reduced. AG Reply Br. at 27-29. The Attorney General claims that the lease expense is not justified, the lease obligation irrelevant, the facility is now too large for Bay State's current use, and the sublet revenues should not be assigned to Northern. AG Reply Br. at 28-29, 30.

Both UWUA and the Attorney General base their analysis on the total annual lease amount, net of sublease rent. This premise is incorrect. Bay State shares the Westborough lease expense with Northern Utilities via the management fee. Exh. AG-1-27 (approximately 16.5% of the gross lease expense, net of sublet revenues is borne by Northern). Moreover, the sublet

revenues are not simply allocated to Northern. Compare AG Reply Br. at 29 with Exh. AG-1-27, Exh. AG-3-28 (footnote indicates a portion of both revenues and expenses are assigned to Northern). The claim that only 26 employees are resident in Westborough is also incorrect. See AG Reply Br. at 29. Removing resident NCSC employees, who work for Bay State and Northern, would result in a direct bill to NCSC and then a direct bill back to Bay State with an allocation to Northern. Bay State Initial Br. at 10, 101-103 (NCSC charges affiliates at cost; direct billing is preferred method). The approximately 30 NCSC employees resident in New England provide services to Bay State and Northern. While Bay State may adopt the accounting treatment recommended by the Attorney General, the charging and charging-back to NCSC of lease expense will not reduce the obligation or the appropriate amount to be included in Bay State's operating expenses for rate setting purposes.

The Attorney General incorrectly asserts that "the NiSource Service Company" has begun subleasing the premises. AG Reply Br. at 28. The lease and the lease obligation is Bay State's alone, and Bay State is mitigating the lease expense by seeking contributing revenue from sublessees. Exh. AG-1-27. Moreover, the contractual obligation for payment is embedded in the lease that the Attorney General deemed irrelevant. AG Reply Br. at 28. However, it is not irrelevant, and represents the lease rates at the time the lease was negotiated in 1997.

The Attorney General does not allege the building was too large for Bay State when it was leased in 1997 for executive, administration and operations staff, but he does so now with the benefit of hindsight. The evidence demonstrates that Bay State's lease was reasonable at the time it was entered into in 1997, and is now being mitigated through subleasing and shared

revenues and expenses with Northern. The lease expense is known and measurable and should be allowed.

**6. Energy Products and Services Sales Promotional Program Expenses**

Both the MOC and the Attorney General argue that the Department should deny recovery to Bay State of its sales promotional expenses related to its Energy Products and Services (“EP&S”) business in the amount of \$1,191,844, because the Company did not conduct a net benefits analysis for these expenditures before the EP&S programs began. MOC Reply Br. at 4; AG Reply Br. at 30.

The EP&S programs clearly provide net benefits to Bay State customers, as they contributed \$5.7 million of profit in the test year, which directly reduces costs to the Company’s customers and reduces the Company’s revenue requirements in this proceeding. In total, EP&S grossed \$17.3 million and incurred fully allocated costs of \$11.6 million. Exh. BSG/SHB-1, p. 58; Exh. MOC-4-2. The EP&S sales promotional expenses are a direct contributor to that net profit, which is net of the EP&S promotional expenses.

The Department allows expenses for promotional measures to be recovered in base rates, if the measures collectively provide net benefits to ratepayers. Boston Gas Company, D.T.E. 03-40 at 244. The Department has determined that the increased revenues from such programs benefit customers by spreading fixed costs more broadly among a company’s customers whenever base rates are reset. Id. This is true for Bay State, as the EP&S programs allow the Company to maximize use of its existing resources, for example by utilizing the employees that provide EP&S services to also perform safety inspections and similar activities in addition to

their EP&S activities. Exh. MOC-2-5; Exh. BSG/SHB-1, p. 53. EP&S margins lower rates for customers and make natural gas more competitive in the energy market place, in accordance with Department policy for promotional programs. D.T.E. 03-40 at 249. Although the Department has required an incremental approach to promotional service program expenses that are accounted for above the line for ratemaking purposes (D.T.E. 03-40 at 43), which is the case with the EP&S programs, the Company has used a fully allocated approach to track EP&S costs. Exh. BSG/SHB-1, pp. 56-57.

Consistent with Department determinations on the recovery of the costs of promotional programs, Bay State's analysis of its EP&S promotional expenses did not include extraneous factors such as growth-related capital projects, and identified indirect promotional expenses. RR-AG-30; D.T.E. 03-40 at 249. Although the Company did not conduct a profitability analysis for each program, collectively the programs provide net benefits to customers. Since the EP&S programs have been in existence for a number of years, Bay State did not perform a pre-implementation IRR analysis. For example, the Guardian Care program has been in existence since at least 1992. Bay State Gas Company, D.P.U. 92-111 at 194. Although the programs are still on-going, the test year analysis of profitability shows significant net benefits for customers.

Bay State intends to spend more in promotional expenses in the rate year than it did in the test year, and therefore the test year level of sales promotional expenses is, at least, representative of, and may even understate, future promotional expenses. Exh. AG-15-13(b); RR-AG-56, p. 1; Exh. AG-9-45. Bay State believes it has satisfied the intent of the

Department's directives with respect to promotional program expenses. Boston Gas Company, D.T.E. 03-40 at 249.

The promotional program expenses for Bay State are significantly smaller than the corresponding expenses for Boston Gas in the D.T.E. 03-40 proceeding. Therefore, the costs of a complete pre-and post-implementation IRR analysis for Bay State's programs could approach, and even exceed, the costs of some of the programs that would be analyzed. For example, the Contractor Incentive program expenses were only \$2,000 in the test year, a cost that could be dwarfed by the expense of a complete IRR analysis. Exh. AG-15-12(c). For this reason, Bay State requests that the Department apply a materiality test in determining when promotional programs should be subject to a complete IRR analysis.

The Attorney General also argues that all of the Company's EP&S sales promotional expenses should be disallowed, because Bay State could not identify the exact number of new residential customers that resulted from conversions from electricity to gas. The Attorney General incorrectly estimates that 25.44% of the new customers are conversions from electricity to gas.  $844/3,317 = 25.44\%$ ; AG Reply Br. at 30. Of the 3,317 total new customers added in 2004, 844 were residential customers, and the "vast majority" of these conversions were from oil to gas, although Bay State does not track the number of conversions by fuel type since often a customer may not provide that information to the Company. Tr. 961-2; RR-AG-36; Exh. AG-6-14. If it is assumed that 85% of the conversions are oil to gas, a plausible estimate of the number of conversions from electric to gas is only 3.8%.  $(844 \times .15) / 3,317 = 3.8\%$ . However, it would be inappropriate to disallow the entire amount of sales promotion expenses due to a very few

conversions from electricity to gas of which the Company may not have been informed and does not have a record.

Finally, it would be unfair to exclude the EP&S sales promotional expenses from the revenue requirements in this proceeding while leaving in all of the revenue margins generated by the EP&S promotional programs. The disallowance of all sales promotional expenses proposed by the Attorney General and MOC should be rejected.

## **7. Advertising Expenses**

MOC argues that all of the Company's advertising expenses for its EP&S programs, \$184,801, should be disallowed. MOC Reply Br. at 2. The Attorney General argues that \$56,067 of the total EP&S advertising expenses should be disallowed. AG Reply Br. at 37. Neither of these adjustments is warranted.

The Company's proposed advertising expenses meet the requirements of G.L. c. 164, sec. 33A which permits recovery of promotional advertising that informs consumers of, and stimulates the use of, products and services which are subject to direct competition from the products or services of entities not regulated by the Department. Boston Gas Company, D.T.E. 03-40 at 276-7. The EP&S advertisements inform customers about various EP&S services and products which are also available from entities not regulated by the Department, such as oil and propane dealers. Exh. BSG/SHB-1, pp. 52, 55-56. The Company provided an itemization of its test year advertising costs for which it sought recovery in rates and made clear that no image-related advertising is included in advertising costs the Company seeks to recover. Exh. BSG/JES-5; Exh. MOC 1-4(a). The Company's advertisements are within the

Department's promotional category, and are related to competition from entities not regulated by the Department. Boston Gas Company, D.T.E. 03-40 at 277. The following table provides a grouping of the advertising expenses:

### **Advertising Expenses – Grouping**

	<u>Expenses</u>	<u>Reference (Exhibits)</u>
1. Image advertising	\$ 0	MOC-1-4(a)
2. Informational	0	
3. Promotional – Competition with unregulated fuels		
4. Utility sales, Non EP&S	55,745	AG-15-13(a)(1)
5. EP&S	<u>184,801</u>	MOC-3-10(c)
6. Subtotal – Unregulated fuels	\$ 240,546	MOC-1-3, AG-15-12 & AG-15-13(a)
7. Promotional – Competition with regulated fuels	0	MOC-2-3 & MOC-2-5
8. Promotional – Non-Utility	<u>69,721</u>	MOC-1-3 (2)
9. Total Promotional	\$ 310,267	
10. Miscellaneous	0	
11. Total	\$ 310,267	MOC-1-1 & MOC-1-3
<b><u>NOTES:</u></b>		
1.	Also computed as \$68,823 shown in MOC-1-4(c) less 19% assigned to Northern Utilities	
2.	Includes \$29,148 billed to Northern and \$40,573 below the line (Boiler/furnace installations)	

The Attorney General argues that the Company has not sufficiently explained the purpose of certain Muzak invoices, a Westwood One invoice and a promotion that includes coupons, post cards, bill inserts and a mea culpa letter, all totaling \$12,143, which he argues should be disallowed. AG Reply Br. at 36. However, the Attorney General has made no claim that the

invoiced amounts were not advertising expenses incurred by the Company and has presented insufficient evidence for the Department to disallow the invoiced expenses he lists.

The Attorney General also argues that 25.44% of the advertising expenses should be disallowed as attributable to electric to gas conversions. AG Reply Br. at 36. The Attorney General calculates the 25.44% as the ratio of residential conversions (844) to total new customers (3,317) during the last year, but he incorrectly assumes that all the residential conversions were from electricity to gas. AG Reply Br. at 37. The “vast majority” of the residential conversions were from oil to gas, not electricity to gas. In addition, the Company has indicated that it may not receive information from customers as to their prior heating source when it makes a conversion to gas and does not track this information. Tr. 961-2; RR-AG-36. Therefore, the Attorney General’s assumption that 25.44% of conversions are from electricity to gas is incorrect. If it is assumed that 85% of the conversions are oil to gas, a plausible estimate of the number of conversions from electric to gas is only 3.8%  $(844 \times .15)/3,317 = 3.8\%$ . The Attorney General has not presented sufficient evidence that would warrant any reduction in Bay State’s EP&S advertising expenses.

In conclusion, since the vast majority of advertising expenses promote competition with unregulated entities, and since Bay State’s EP&S operations are treated above the line and contribute substantial profits that go to reducing customer rates, the advertising expenses should be allowed. The arguments of the MOC and the Attorney General should be rejected.



**8. Adjustment for Property Taxes – Non-Utility Property**

The Attorney General argues that the Company's property tax should be reduced by \$22,538, for the amount of property tax associated with non-utility property. AG Reply Br. at 37. Bay State agrees with this proposed adjustment. Exh. DTE-1-5; RR-DTE-18. The adjustment is included in the final revision of Bay State's revenue requirement schedules.

**9. General Counsel Retainer**

The Attorney General sets forth additional reasons for denying the retainer expense for the NiSource General Counsel, allocated to Bay State through the NCSC charges. AG Reply Br. at 34-35. The Attorney General argues that if the law firm partner who is General Counsel is also an "employee of the company," the retainer fee must be eliminated for ratemaking purposes; where the General Counsel's services are not competitively bid, the retainer fee must be rejected; and where the fee is not supported with detailed invoices, the fee should be rejected. Id. The Attorney General's objections are unwarranted.

Bay State has no General Counsel of its own and receives the benefit of the services of the highly experienced and knowledgeable NiSource General Counsel who is available at Bay State's request for an annual cost of \$62,000. Tr. 1591-1592. This is a reasonable fee for General Counsel services for a company the size of Bay State. The NiSource General Counsel is not an "employee" of NiSource. He is an officer of NiSource and the manager of the NiSource Legal Department, but NCSC does not pay him a salary and no benefits are allocated for him that are obligations of Bay State's ratepayers. He is compensated by his law firm based in Chicago, of which he has been Managing Partner. The NiSource General

Counsel's unique institutional knowledge of Bay State is an adequate substitute for competitive bidding in this particular relationship. See Bay State's Initial Br. at 119-120; Exh. AG-19-36. Finally, the retainer arrangement is essentially a fixed fee for legal services and the billing invoices would not usually contain the number of hours billed and work performed. The General Counsel, who is the chief legal counsel for the corporation, provides Bay State a wide range of experience (on regulatory, land use, SEC, investor relations, FERC, litigation, contract negotiation, employee, environmental and health and safety issues), and supervises the activities of 30 NiSource lawyers who perform services on behalf of Bay State, all for an allocated cost of \$62,000 per year to Bay State. The retainer falls within the ambit of management's discretion for a vital business service. It is reasonable in amount and it should be allowed.

#### **10. Adjustment for Normalized Rate Case Expense**

The UWUA continues to assert mismanagement of rate case staffing. Bay State disagrees and stands by the analysis provided in its Initial Brief, which demonstrated that no party was prejudiced in discovery; that the timing of discovery was reasonably related to the volume of responses required to be responded to; that the costs of Bay State's rate case expense were contained by competitive bidding and by the close scrutiny and monitoring of detailed invoices. Bay State's Initial Br. at 88-97. The Attorney General and UWUA both challenged Bay State's proposal that the Department limit the discovery to the extent possible, however the goal of this proposal is to constrain rate case expenses.

Filed with this Reply Brief are Bay State's updated rate case expenses through the date of this Reply, and including estimated expenses reasonably expected to be incurred for the

compliance phase of the proceeding. This is the second update since the close of hearings: the first was filed September 15, 2005, after the filing of Bay State's Initial Brief. Bay State contends both the level of expense and the costs incurred are reasonable given the size of the litigation, the complexity of the issues, and the volume of discovery required to be responded to. See, Exh. DTE-15-58 (Supp. 6). Bay State seeks recovery of the normalized amount of this rate case expense included in its O&M expense.

#### **11. Corporate Air Transport**

The Attorney General continues to challenge the amount allocated to Bay State for corporate air transport expenses. AG Reply Br. at 30-31. However, Bay State demonstrated that the air transportation service is provided to executives and employees on Bay State business, whether that business is in Massachusetts, the executive office in Merrillville, Indiana, NCSC headquarters in Columbus, Ohio, or elsewhere within the 11-state NiSource system. Bay State Initial Br. at 122-123. Given the number of flights and the number of employees using the transport jet, and the efficiencies created by use of the air transport when none of the major NiSource offices are located near airport hubs, the allocated amount to Bay State is a reasonable expense. Id.; RR-AG-46; Exh. AG-1-54; Exh. Ag-19-27.

#### **12. Adjustment for Postage Increase**

Raised for the first time on Reply, both UWUA and the Attorney General now reject Bay State's proposed adjustment to reflect an increase in postage costs as not known and measurable. See, AG Reply Br. at 33. The increase is required in order for the United States Postal Service to fund a \$3.1 billion escrow requirement mandated by Public Law (PL) 108-18. Id. (Exh.

BSG/JES (Workpapers) at Workpaper JES-6, p. 30. Without the requested increase in postal rates, the United States Congress would be required to adopt legislation to repeal or alter the obligation established by PL 108-18. It is more than reasonably certain that the increase will take effect as requested by the U.S. Postal Service. This makes it known according to the weight of the evidence. The amount of the increase has been announced and is therefore measurable. This adjustment should be allowed by the Department. See also, Bay State's Initial Br. at 106.

### **13. Adjustment for Self Insurance**

The Attorney General challenges, for the first time on Reply, the inclusion of self-insurance expenses, claiming Bay State's use of a five-year average was not demonstrated to be consistent with precedent. AG Reply Br. at 32. The Attorney General's objection to this adjustment is not reasonable. As the Department is well aware, insurance claim levels are volatile from year to year. Exh. BSG/JES (Workpaper) at Workpaper JES-6, p. 19 of 31. A five-year average claim level is a reasonable method of obtaining a representative historical level for inclusion in rates. Five years also matches the PBR period proposed by Bay State and serves to smooth out the average self-insured claims expense to reduce the impact of insurable events that can affect a natural gas distribution company. This treatment is consistent with the Department's obligation to ensure that costs included in rates are representative of the level of expenses the utility can reasonably expect to incur in the future.

In addition, the Attorney General's proposed disallowance is mathematically incorrect, because he has added the book amount of claims to the actual claim amount. He should have subtracted the book amount. Since the proposed adjustment by the Attorney General is too late

and provides an insufficient basis to deny inclusion of this expense in rates, Bay State's self-insured claims adjustment should be allowed.

#### **14. Service Company Charges for Executive Compensation**

The UWUA continues to challenge the levels of executive compensation, and requests, a reduction in Bay State's allocated share of NiSource executive compensation by 50%. While Bay State will rely primarily on the arguments made in its Initial Brief on this topic, it supplements will refine points made previously. See Bay State's Initial Br. at 101-103. First, the reasonableness of the allocated executive compensation has been confirmed by the allocation formulas approved by the SEC. Second, these compensation levels are compared by NiSource to executive compensation levels in the marketplace on a continuing basis. All NiSource employees, including its executives, are paid at the levels required to attract and retain competent and skilled talent. Exh. BSG/SAB-1. Third, the proposed arbitrary 50% reduction in allocated charges for executive compensation has no rationale or record support. Finally, Bay State shares this highly talented pool of executives with all of its affiliates, thus lowering the overall cost for which its customers are responsible. Tr. 2295, 3305-3306. The record supports inclusion of the cost for NiSource executive-level compensation.

#### **V. DEPRECIATION**

Bay State Gas Company's depreciation expert, Mr. Robinson, prepared a comprehensive depreciation study of all of the Company's plant accounts, and the Department should adopt the results of that study in this proceeding. Mr. Robinson inspected the Company's plant assets and consulted with Company management and operating personnel as to the Company's past

experience with its plant in service and future expectations for that plant in order to determine the appropriate remaining lives and net salvage values to recommend for the Company's plant accounts. The Attorney General's witness, Mr. Pous, did not inspect any of the Company's plant, although he was offered the opportunity to do so. The Attorney General claims that the Company provided no information on the Company personnel that Robinson consulted with when preparing his study. AG Reply Br. at 22, fn. 12. However, Exhibit AG 5-4 provides copies of notes taken by Mr. Robinson during his meetings with Company personnel and inspection of the Company's plant along with photographs taken by Mr. Robinson during his inspections. The exhibit identifies the Company personnel Mr. Robinson met with as well as the times and locations of his inspections.

**A. Account 376 – Mains**

The Attorney General objects to the Company's net salvage value of -15% for Account 376 on the grounds that for a number of the years in the historical net salvage database, the net salvage amounts were less than -15%, although often greater than the -10% recommended by the Attorney General. Exh. BSG/EMR-2, p. 7-19; AG Reply Br. at 22.

The Attorney General's analysis focuses entirely upon the Company's historical net salvage data. While it is true that in several years the net salvage is less negative than 15%, the Attorney General has given no weight to anticipated future levels of net salvage. It is a basic tenet of the Average Remaining Life method of determining depreciation rates that estimated future net salvage must also be used and not historic net salvage alone. Yet, the Attorney General only discusses historical net salvage values.

The Attorney General argues that the historical net salvage data from the early 2000s show decreasing net salvage values when compared to earlier years in the 1980s, and that, therefore, Mr. Robinson is incorrect to conclude that costs of removal will continue to increase in the future. AG Reply Br. at 23.

The Attorney General supposes that the historical data should show a continuing increasing negative level of salvage. This conclusion is incorrect in that it assumes that each succeeding year's retirements occur at a greater average plant age. In fact, during the recent years when the net salvage was less negative, the average age of retirement was lower than during earlier years when the negative net salvage was higher. Exh. BSG/EMR-2, Section 7 and p. 7-19. The net salvage analysis in Mr. Robinson's depreciation study clearly shows that the historical retirements have occurred at average ages far less than the average service life of the property group. Therefore, many years must pass (during which time salvage costs will increase) before the age of retirements equals the average service life. Furthermore, Mr. Robinson provided a rebuttal exhibit that showed there is a general correlation between the increasing age and increasing level of negative net salvage. Exh. BSG/Rebuttal-4, Rebuttal Exhibit, EMR-R-1.

Mr. Robinson's rebuttal testimony indicated that specific vintage information was not available relative to the age of each of the experienced cost of removal accounts. Exh. BSG/Rebuttal-4, pp. 7-8. Therefore, his analysis was based on average year data and the Attorney General's objection to this analysis is misplaced. The cost of removal data utilized by Mr. Robinson demonstrates a relationship between the increasing retirement age and increasing levels of negative net salvage. The Attorney General appears unwilling to acknowledge that,

over time, costs of removal will increase, primarily due to labor cost increases. Mr. Robinson's use of an escalation factor was simply one tool he employed to estimate those costs and the level of anticipated negative net salvage.

The Attorney General criticizes the Company for not explaining its use of an R squared statistic in the linear regression Mr. Robinson prepared. Exh. BSG/Rebuttal-4, Exhibit EMR-R1. The Attorney General also criticizes the results of that linear regression. AG Reply Br. at 24. However, Mr. Robinson did not use the linear regression for any of his salvage analysis. The regression was simply a response to the scatter diagram of ten years of data that the Attorney General's witness presented in his testimony in support of his claim that there is no correlation between retirement age and net salvage.

**B. Account 380 – Services**

With respect to the Services account, the Attorney General continues to criticize the Company's proposed net salvage value of -170%, claiming that the Company relies too heavily on historical data. AG Reply Br. at 24-25. Mr. Robinson's recommendation of -170% does not rely solely on historical data. Recent years' experience for this account show net salvage percentages significantly higher than -170%. For example, 1997 -292%, 1999 -214%, 2002 -183%, 2003 -226%. Exh. BSG/EMR-2, p. 7-25. As mentioned, the Average Remaining Life method for setting depreciation rates requires a consideration of future net salvage, and does not permit exclusive reliance on historical data. For this account, Mr. Robinson used estimates of future negative net salvage, in addition to historical data, to recommend the -170% negative net salvage.



The Attorney General argues that there should not be such a large variance between the negative net salvage percentages for Account 376 - Mains and Account 380 - Services. AG Reply Br. at 25. The Company fully explained this result. Bay State Initial Br. at 143. The Attorney General's witness claims that he did not observe a similar variance among unspecified "industry" data, but he neglected to identify the companies involved much less establish whether or not they are in any way similar to Bay State. See Exh. AG-6, p. 18.

**C. Account 376.4 – Plastic Mains**

The Attorney General continues to object to the Company's proposed average service life for this account. AG Reply Br. at 25. However, Mr. Robinson's rebuttal testimony clearly spelled out the factors considered in the life analysis for this account and the manner in which he determined the recommended service life for this property group. Exh. BSG/Rebuttal-4, pp. 14-17.

**D. Account 376.2 – Coated /Wrapped Steel Mains**

The Attorney General ignores the fact that the oldest plant in service in this account is only 50 years old, and therefore average service life cannot presently be more than 50 years. Bay State Initial Br. at 147.

The Attorney General objects to the Company's introduction of what he calls "a limited industry comparison." AG Reply Br. at 26. Mr. Robinson's rebuttal exhibit contained comparable industry service life and net salvage information within the New England region and is a cross-section of all available historical information that could be obtained relevant to the

Company in this region. Exh. BSG/Rebuttal-4, Rebuttal Exhibit EMR-R3. In contrast, Mr. Pous has presented no New England-specific industry data.

Finally, the Attorney General's witness appears to have proposed only adjustments that would extend service lives and lower negative net salvage values with the evident purpose of lowering the Company's proposed depreciation expense. With respect to net salvage values, he appears to have given no consideration to future net negative salvage values as is required by the Average Remaining Life depreciation method.

## **VI. PERFORMANCE BASED REGULATION**

In this Section of its Reply Brief, Bay State responds to the Reply Comments of the Associated Industries of Massachusetts ("AIM") and the Reply Briefs of DOER and the Attorney General on PBR issues.

### **A. Associated Industries of Massachusetts**

The Reply Comments of AIM support PBR in principle, but claim that "the selective exclusion of certain costs in PBR, as proposed by Bay State, eliminates the incentives for cost containment and efficiencies that provide ratepayer benefit." AIM Reply at 1. The comments also state that "while AIM supports the necessary replacement of steel infrastructure, we urge the Department to support the most cost-effective main replacement mechanism to mitigate expense to ratepayers." Id.

The Company has explained that the SIR program is focused on public safety objectives that are entirely complementary to, but distinct from, the efficiency gains promoted by PBR. It is appropriate for PBR plans to contain separate adjustment mechanisms for efficiency goals that

are not likely to be achieved by the main PBR mechanism. Since the magnitude of the SIR program is unique, and will not be reflected in the industry historical experience used to determine the PBR price cap formula, a separate SIR adjustment is compatible with PBR. Bay State Initial Br. at 187-8.

Bay State has also addressed the issue of the most cost-effective main replacement mechanism to mitigate costs to ratepayers. There are two options: implementing the SIR base rate adjustment mechanism, or filing frequent rate cases. The SIR program will produce savings in construction and operation and maintenance costs, as well as regulatory costs, when compared to traditional rate cases, and therefore would be most cost-effective for ratepayers. Bay State Initial Br. at 188.

**B. DOER**

DOER argues again that Bay State's PBR proposal fails "to apply Department precedent to the facts of this case" and claims that its own proposal is a solution that does "not distort the benefits of a PBR". DOER Reply Br. at 1. As in its Initial Brief, DOER's rationale for its proposal rests on a fundamental misunderstanding of Department PBR precedent. A comparison of the DOER's position with the Department's past PBR decisions illustrates this misunderstanding. For example, DOER argues that "in order to apply the components of the Boston Gas PBR, Bay State's facts must fit the facts of that case, i.e. total cost study with indication of a superior cost performance in all cost categories. Bay State did not show that. Therefore, the components [of the X factor formula] cannot be identical. The consumer dividend should be different and, indeed, the X factor as a whole." Id. at 3.

However, as explained in Bay State's Initial Brief, the Department did not find evidence "of a superior cost performance in all cost categories" in the PBR plan approved for Boston Gas. Bay State Initial Br. at 177; D.T.E. 03-40, at 485.9 Thus, such a finding is not prerequisite for approval of a PBR plan, and it is not true that the Company's proposal failed to "fit the facts" of D.T.E. 03-40. This error undermines the entire premise for DOER's alternative PBR proposal. It also invalidates the basis for DOER's claim that Bay State's PBR proposal is not consistent with any PBR plan approved by the Department.<sup>10</sup> This claim is incorrect, because Bay State's PBR proposal is nearly identical to that approved in D.T.E. 03-40.

The DOER displays other misunderstandings of the Department's PBR precedents. For example, it says that examining a utility's own cost trends before and after a PBR plan takes effect is "not the proper comparison" for determining appropriate consumer dividends since "[T]he X factor is dependent on a comparison of the Company's performance to the industry, not to itself." DOER Reply Br. at 3.

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<sup>9</sup> The Department has never found evidence of "superior cost performance" in any of the comprehensive PBR plans it has approved. If such a finding were necessary before a comprehensive PBR could be applied, the Department would not have approved any comprehensive PBR plans in Massachusetts. Yet obviously it has done so. Bay State Initial Br. at 178.

<sup>10</sup> The DOER Reply Brief states "Bay State is correct in stating that '[T]he DOER proposals are not consistent with any PBR plan approved by the Department.' But neither is theirs." DOER Reply Br. at 3. On a related issue, the DOER claims that Dr. Kaufmann admits that "the total cost study did not support the application of the Boston Gas PBR formula to all Bay State costs." *Id.* at 2. There is no record support for this statement, since Dr. Kaufmann never made such a statement. In this instance, the DOER appears to be substituting its own misunderstanding of what is necessary to apply a PBR to all costs.

In fact, nothing in the X factor formula used by the Department in its approved PBR plans is dependent on a comparison between the utility subject to PBR and the industry. The productivity and inflation differential components of the X factor formula rely entirely on industry and economy-wide productivity and input price trends, not information from the utility itself or a comparison between the utility and industry. Bay State Initial Br. at 160-161. While the consumer dividend is a “future productivity factor” that reflects the expectation of incremental productivity gains under the PBR (Bay State Initial Br. at 162), the value of this factor does not necessarily depend on a comparison between the utility and the industry. The 0.3% consumer dividend approved in D.T.E. 03-40 did not rely on any such evidence, but the Department did refer to Boston Gas’s O&M cost trends before and after its first PBR plan took effect as evidence supporting the value for the 0.3% consumer dividend. D.T.E. 03-40 at 481. This is exactly the kind of “comparison of the Company’s performance to itself” that DOER claims “is not the proper comparison,” but which the Department has said is the “starting point” for determining an appropriate consumer dividend. D.T.E. 03-40 at 480-481.

In developing its PBR proposal Bay State undertook a similar comparison, which showed that Bay State had fewer opportunities to achieve further productivity gains in the future than Boston Gas did at the time D.T.E. 03-40 was issued. Hence, Bay State’s consumer dividend should be no higher than that which was approved for Boston Gas Company. Bay State Initial Br. at 165-66.<sup>11</sup>

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<sup>11</sup> Dr. Pereira’s comparison of the capital quantity indexes of Bay State to those of other Northeast gas distributors relied on by DOER is meaningless, since the values of capital stocks can differ  
(Footnote continued on next page)

DOER also shows a lack of understanding of Department PBR precedents on earnings sharing mechanisms (“ESMs”) and PBR plan terms. In discussing the Berkshire Gas Company PBR, the DOER states that the lack of an ESM in that plan “shows the importance of the term of a PBR. Berkshire only has a three year PBR. The longer the PBR, the more opportunity there is for significant savings (citation omitted). The shortness of the Berkshire PBR reduces the need for an ESM.” DOER Reply Br. at 5 fn. 2. In fact, the Berkshire PBR plan has a ten-year term. D.T.E. 01-56. The lack of an ESM in the Berkshire plan therefore does not result from its shorter plan term. This invalidates DOER’s claim that the 400 basis point deadband in Bay State’s ESM “is the richest among the jurisdictions surveyed by DOER.” DOER Reply Br. at 5 fn. 2.

DOER claims that its ESM proposal will not “take away the incentive of the Company to make upfront investments that would reduce earnings in the near term but yield later benefits to customers, but not shareholders. This point goes to the term of the ESM, not the design.” *Id.* at 5. DOER’s logic is flawed. In fact, the term is part of the design of the ESM, and both the term of the plan and the amount of cost savings a utility is allowed to retain enter into calculations of the net present value (“NPV”) of initiatives the Company may pursue to boost efficiency. Whenever the NPV of an initiative is less than its upfront costs, that initiative will not be pursued. NPV can be reduced both by reducing plan terms and by increasing the amount of

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*(Footnote continued from previous page)*

dramatically across distributors because of differences in the spatial patterns of customers in service territories, the age of the capital stock, and similar factors beyond management control. A rigorous comparison of capital input quantities across distributors would control for such factors through econometric methods, which Dr. Pereira has failed to do. RR-DTE-162 (revised), footnote 1.

savings that must be shared with customers. The sharing fractions proposed by DOER are not only high but punitive and will tend to make a greater number of efficiency-enhancing initiatives unprofitable.

The DOER also misstates the rationale for Bay State's proposed SIR mechanism. It claims "Bay State is seeking treatment of these costs as exogenous to the PBR, yet because they do not fit the definition, they have proposed an alternative." DOER Reply Br. at 4. In fact, the Company has never claimed that the costs to be recovered by the SIR adjustment are exogenous. The Company has always stated that the SIR costs are necessary for Bay State to fulfill its public service and safety obligations, but absent the SIR adjustment mechanism the costs resulting from the magnitude of the required investment program will not give the Company a reasonable opportunity to earn its allowed rate of return. Exh. BSG/SHB-1, pp. 41-41; Exh. BSG/JAF-2, pp. 23-28, Sch. 2-9; Exh. BSG/PRM-1, pp. 10-13; Tr. at 2195, 3864 and 3895. Moreover, the SIR is not designed to circumvent the Department's ratemaking standards, since the program is compatible with both traditional cost of service regulation and incentives created by PBR. Bay State Initial Br. at 175. The SIR program will also create cost savings for customers, compared with the alternative of not having a SIR program. Tr. at 756-57.

**C. Attorney General**

The Attorney General continues to claim that Dr. Kaufmann's benchmarking studies are biased because of Bay State's corporate relationship with NiSource. He states "The Company's failure to recognize the efficiencies and lower costs of being part of NiSource biases the results of Mr. Kaufmann's productivity analysis and his claims that the Company is more efficient than

industry averages.” AG Reply Br. at 10. He, therefore, recommends that the Department reject this analysis.

The Company in its Initial Brief demonstrated that this claim is fallacious. Benchmarking studies should only “control” for business condition variables that are largely beyond management control; the relationship between Bay State and NiSource is clearly not such a variable. More generally, one of the factors motivating mergers is the desire to generate efficiencies for the merged utilities. If the merger with NiSource has reduced the Company’s unit costs and enhanced its efficiency, the Company’s measured efficiency score must reflect the impact of this corporate relationship. Measured efficiency for Bay State would necessarily be incorrect if the benchmarking model attempted to “control” for the affiliation of Bay State and NiSource, as the Attorney General recommends. Bay State Initial Br. at 185.

Further, the Attorney General misstates the Company’s position regarding the consumer dividend values approved for “first generation” price cap plans. The Company never claimed that the PBR plan approved for Blackstone Gas is “the most relevant precedent” for assessing this issue. AG Reply Br. at 11. Its Initial Brief simply points out that the Blackstone precedent contradicts the Attorney General’s position that “first generation” price cap plans in Massachusetts always contain consumer dividends of between 0.5% and 1%. Bay State Initial Br. at 186. The Company’s Initial Brief also explained the basis for the proposed consumer dividend, and the proposed plan term, in detail. Bay State’s consumer dividend proposal was determined using the framework and evidence employed by the Department for Boston Gas in D.T.E. 03-40 and the fact that Bay State operated under a 5-year rate freeze which is a more



stringent price cap than a PBR. This evidence demonstrated that Bay State has no more, and perhaps fewer, opportunities to achieve additional productivity gains than Boston Gas did at the time D.T.E. 03-40 was approved, so the 0.3% consumer established in that proceeding should be an upper bound on a reasonable consumer dividend for Bay State in this proceeding. Bay State Initial Br. at 186-87. The five-year plan term was also designed to be consistent with index-based PBR precedents approved for all four gas distributors in Massachusetts. Bay State Initial Br. at 187.

The Attorney General disputes that the Company has in fact made efficiency gains under its rate freeze, because, when it was subject to the rate freeze, its administrative and general (“A&G”) expenses grew more rapidly than GDP-PI inflation. AG Reply Br. at 12. The Attorney General’s attempt to characterize Bay State’s A&G cost growth as evidence that “there has been little if any productivity gains from the merger” is an inversion of the truth. Neither the Attorney General nor any other party disputes the fact that Bay State’s O&M costs declined by 2.2% per annum (in inflation-adjusted terms) in the first five years after the merger. These cost reductions represent a real and undeniable source of efficiency gains. As the Attorney General notes, the merger with NiSource has allowed Bay State to share accounting, finance, treasury, customer service, engineering, and human resource costs with its affiliates. AG Reply Br. at 11. Such cost-sharing undoubtedly leads to cost efficiencies at Bay State, but any purchases of services from the corporate services company are booked to the Company’s A&G expenses. The increase in A&G expenses is therefore a natural consequence of the post-merger service company arrangement that has led to greater efficiencies at Bay State. Far from being a source

of cost inefficiency, the change in Bay State's A&G costs reflects organizational changes the Company has made, which have indisputably led to efficiency gains.

The Attorney General's erroneous claim about Bay State's efficiency demonstrates the dangers of selecting individual cost items to make benchmarking evaluations. It is also an example of the problems that Dr. Kaufmann warned would result from DOER's two X factor proposal, where "[T]here would be incentives for intervenors to identify relatively inefficient cost areas that require higher X factors, which may prompt vast new areas of discovery and dispute." RR-DTE-162 (revised). The Department should therefore reject this approach towards evaluating efficiency, as well as the Attorney General's unfounded conclusion that the Company did not achieve any efficiency gains during its rate freeze.

Finally, the Attorney General repeats his claim that the SIR makes the price cap index ("PCI") formula "useless for determining price cap increases." AG Reply Br. at 13. He disputes the Company's contention that the price cap formula remains valid because it has been carefully designed to eliminate double counting of steel replacement costs. The Attorney General argues that "the base rate in the Company's proposed price cap formula includes the test year and capital costs associated with the mains, services, meters etc. that the Company seeks special treatment for through the SIR mechanism." Id. at 14. The Attorney General believes that "the Company's proposed price cap formula only removes the incremental main, service, and meter investment made after the test year from the price cap increases, [so] the Company will recover twice for the replacement costs – once through the price cap increase and the second time through the SIR adjustment mechanism." Id.

These claims show that the Attorney General does not understand how the proposed SIR mechanism operates. First, it is not correct that all the capital costs associated with mains, meters and services reflected in the test year will be recovered through the SIR mechanism. Only the extraordinary portion of replacement of bare and unprotected steel facilities would be recovered through the SIR. Second, it is not correct that the proposed price cap formula only removes incremental main, service and meter investment made after the test year from the PCI-based price increases. The PCI applies only to the portion of Bay State's test year rates that excludes the accumulated costs of eligible steel replacement facilities. Exh. BSG/LRK-1, p. 17. The SIR only recovers the costs of eligible facilities that the Company has replaced since the test year and which are excluded from the rates subject to the PCI adjustments. Id. The PCI and SIR, therefore, apply to completely different sets of costs. Id. Accordingly, contrary to the Attorney General's claims, there is no double-counting of steel replacement costs, because there is no overlap between the costs that are subject to the steel replacement mechanism and the costs that are subject to the PBR mechanism. Tr. 684. The Attorney General's failure to understand this critical point undermines the entire premise for his position that the "SIR defeats the purpose of the PBR." AG Reply Br. at 12.

## **VII. CAPITAL STRUCTURE AND RATE OF RETURN**

### **A. Attorney General**

The Attorney General continues to argue that the Department should impose a 55%-65% debt ratio for the Company's capital structure, which is far above Bay State's actual long-term debt ratio of 46.05%. The Attorney General also continues to argue that over \$153 million of

short-term debt should be included in the Company's capital structure for ratemaking purposes. AG Br. at 95; AG Reply Br. at 45-46. This would produce a total capitalization of 597,784,283, far above Bay State's rate base of \$397,000,000. Bay State Initial Br. at 192.

In support of his proposal the Attorney General argues that Standard & Poor's has rated distribution companies, with debt ratios that include short-term debt, within the range from A to BBB. AG Reply Br. p. 44. However, the Standard & Poor's report relied on by the Attorney General is used for purposes of determining a debt rating for a particular company. The Attorney General has provided no evidence that that report is of the type used by investors when analyzing the stocks in Mr. Moul's comparison Gas Group. The actual debt ratios of the Gas Group companies were in the range of 45% to 51.5%, from 2000-2004 and are forecast to be from 39.5% to 44.1%. The average year-end 2004 debt ratio for the comparison group companies is 45.5%, very close to Bay State's debt ratio of 46.05%. Exh. BSG/Rebuttal-3A; RR-DTE-51 (Supplemental). Therefore, the debt ratio recommended by the Attorney General is far above the norm in the industry, and, as Mr. Moul testified, would be "imprudent" if adopted for Bay State. Bay State Initial Br. at 191.

The Attorney General continues to argue that short-term debt should be included in the Company's capital structure for ratemaking purposes, and further argues that "the Department must assume that monies from the different outstanding securities are used for all possible business purposes." AG Reply Br. at 45. This is clearly not the case as the Company has many assets that are not in its rate base and that are not financed with permanent securities but instead are financed with short-term debt. As the Company noted in its Initial Brief, the majority of the

Company's short-term debt is to finance gas purchase costs, gas storage costs and other CGAC-related costs. For example, as shown in the 2004 Annual Return to the Department the following items were not in rate base but instead were financed by short-term debt: \$51,749,005 of deferred fuel (page 8), \$39,865,870 of fuel inventory (pages 24-25), \$5,142,980 of regulatory assets for production and storage (page 27), \$11,432,682 of regulatory assets for environmental remediation costs (page 27), \$9,350,942 of bad debt – gas portion (page 27), and \$1,497,984 of debt redemption costs (page 27). Exh. AG-1-2. These items are not in rate base and they are not financed by the Company's permanent capital.

As indicated in its Initial Brief, the Company recovers short-term debt costs through its cost of gas adjustment clause. It would amount to double counting if short-term debt costs were also collected through base rates, as the Attorney General suggests. Bay State Initial Br. at 193.

The Company's total capitalization for ratemaking purposes is approximately \$398,000,000, which matches almost exactly the Company's rate base of \$397,000,000. Id. at 192-3. The Attorney General, however, has proposed a total capitalization at least \$153,000,000 larger than the Company's rate base by adding that amount of short-term debt to capitalization. Although he cites the level of the Company's interest expense during the last year as a percent of net income in support of his proposal to include short-term debt in the capital structure (AG Reply Br. at 46), the Company's income statement interest expense is irrelevant for ratemaking purposes. AG Reply Br. at 46.

The Attorney General also ignores the Department's net plant test, which is intended to ensure that there is sufficient plant to support a Company's permanent capital. Bay State Initial

Br. at 191. The cases cited by the Attorney General in his Initial Brief do not support his proposal here to include short-term debt in Bay State's capital structure. AG Reply Br. at 46. For these reasons, and for the reasons set forth in the Company's Initial Brief, the Attorney General's proposals for the debt ratio and the inclusion of short-term debt in the capital structure of Bay State should be rejected.

The Attorney General attempts to downplay the fact that his witness, Mr. Newhard, ignored the forecast earnings growth from Value Line in his two-step DCF model. Bay State Initial Br. at 211. However, while Mr. Newhard relied extensively on Value Line for his sustainable growth DCF analysis, he ignored it completely in his two-step DCF analysis. This is a manifest, and unexplained, inconsistency in his approach.

The Attorney General claims that the allowed returns authorized by other state commissions, which are significantly higher than what he recommends, are not probative here because Bay State will have a lower risk due to its PBR plan, the proposed pension/PBOP adjustment mechanism, and the SIR program. However, Mr. Moul indicated that a PBR plan does not decrease, but rather increases a company's risk due to unforeseen events that can occur during the term of the plan. Exh. BSG/PRM-1, p. 6. In addition, the comparison group companies have varying mechanisms to deal with pensions and PBOPs as well as infrastructure replacement mechanisms that, in some cases, are more comprehensive than the SIR proposed by Bay State. Bay State Initial Br. at 212-13.

The Attorney General is unable to make a convincing defense of Mr. Newhard's sustainable growth DCF approach that used year-end rather than average year common equity

book values. AG Reply Br. 48; Bay State Initial Br. at 210. The Attorney General has not rehabilitated Mr. Newhard's failure to employ the Value Line growth estimates in his two-step DCF analysis. If Value Line was acceptable for the constant growth analysis it should also be acceptable for the two-step DCF analysis; if Value Line has any influence on the price as established by investors, it must be used in each method.

Although the Attorney General continues to argue that the Company's proposed rate recovery mechanisms will allow it to recover more than 83% of its costs dollar-for-dollar, the Company demonstrated that only 64%-65% of the Company's costs would be subject to reconciling mechanisms if all of the Company's requests were approved. Bay State Initial Br. at 212. The SIR return on capital is only a small fraction of the overall return that the Company must realize on its rate base. The Attorney General has provided no evidence that the Company's rate base, and therefore return requirement, will decline in the future, as he suggests. AG Reply Br. at 50. In fact, plant replacement costs are higher than original plant costs, and therefore the replacement of capital assets at current and future costs will entail an increasing rate base and increasing capital costs for which there is no automatic recovery.

**B. The Attorney General's Arguments on Management Performance**

The Attorney General lists a number of items which he believes indicate "sub par performance" by Bay State management. Therefore, he recommends an independent audit to investigate the performance of management. He recommends also that the Department set a return on equity at the lowest end of the range of reasonableness. He believes a management audit should review the reasons for the "deferral of bare steel main replacements" during the

recent rate freeze, and also include an accounting of the funds provided by the rate increase granted in D.T.E. 97-97 AG Reply Br. at 50.

The testimony of Mr. Cote, and the independent report prepared by R.J. Rudden on the Company's leak management activities, indicate that there has been no "deferral" of main replacements. Furthermore, there would be no purpose served by an accounting of funds resulting from the Department's rate increase granted to Bay State in D.T.E. 97-97, eight years ago. The Department investigated the need for the increase prior to its order in that proceeding, and the Attorney General has offered no basis for "an accounting of the funds" resulting from that order.

In his Reply Brief, the Attorney General lists a number of "management failures." AG Reply Br. at 50. The Attorney General contends that the Company does not comply with the requirement of Procedure 7.8 in its Operations and Maintenance ("O&M") manual for measuring corrosion pit depth on exposed pipe. AG Reply Br. at 51. Contrary to the Attorney General's claim, Mr. Cote testified that Procedure 7.8 is followed by the Company's pipe replacement crews who have many years of experience and are trained to determine when pit depth needs to be measured. Tr. 3678-80. Although the Attorney General suggests that pit depth measurement information could be important with respect to the Company's main replacements, Mr. Cote testified that pit depth measurements are taken when necessary and that any further investigation into the causes of corrosion on the Company's bare steel and unprotected steel mains and services would have little additional value for the Company's ongoing control of corrosion in its distribution system. Exh. BSG/Rebuttal-2.



The Attorney General claims the Company does not follow its O&M manual or Department requirements with respect to backfill when repairing mains. AG Reply Br. at 51-52. With respect to backfill, Mr. Cote testified that it is standard practice in the industry to backfill with the soil removed from the excavation, to the extent possible. It is the practice to put as much original material as possible back in the excavated trench because of trench settlement. If the backfill material is removed and not replaced, there is a risk of differential settlement, which is a particular problem in the winter because different fill materials freeze and thaw at different rates. If there is more than one material type in a trench, there is an increased possibility of differential settlement which could damage the pipes. Tr. 2461-62. With respect to municipal backfill requirements, Mr. Cote indicated that many town engineering departments recognize that when non-homogeneous soils are adjacent to each other there can be ground movement which can damage piping due to the effect of freezing and thawing on the soil. With respect to the Department's standards for utilities when restoring municipal streets after excavations, Mr. Cote indicated that the Company has not been notified by the Department of any failure to follow the Department's standards for excavations. Tr. 3717.

These recommendations by the Attorney General appear to be based on his witness, Mr. Cavallo's, visits to two of the Company's leak repair sites on a single day earlier in the summer. This is clearly an insufficient basis upon which to making sweeping generalizations about the Company's O&M practices and clearly is not a basis upon which the Department could order a management audit of the Company.

The Attorney General contends that the Company does not maintain system maps indicating the types of coating on its pipes on the maps. Mr. Cote testified that Company system maps identify the year of pipe installation as well as whether pipe is coated or bare. He also indicated that the Company maintains another system and tracking methodology that is designed to indicate if a segment has been cathodically protected, and this information is contained in the Company's cathodic protection records. Tr. 3952-56; RR-DTE-167. There has been no failure to update its system maps as alleged by the Attorney General. Rather, the Company keeps separate records for cathodic protection.

The Attorney General contends that the Company's responses to information requests generally involved undue delays, and the Company was not prepared to handle the volume of discovery filed in this proceeding. AG Reply Br. at 54. The Company received an unprecedented volume of information requests in this proceeding, which was within the control of the intervenors, not the Company. Even so, the Company's record on responding was quite good as a large majority of information requests were responded to by the beginning of hearings. This was so even though the procedural schedule called for hearings to start earlier in this proceeding than in other similar base rate cases. It would also appear the Attorney General is making a general criticism of "ever more complex" rate cases that are being filed with the Department. Bay State should not be penalized for the changes in the nature of rate cases being conducted before the Department.

There is no basis for the Attorney General's allegations on management performance, nor is there any basis for a management audit. As a result, the recommendation of the Attorney

General that the return on equity be set at the lowest end of the range of reasonableness should be rejected.

**VIII. DUAL FUEL TARIFF (M.D.T.E. No. 67) AND GRANDFATHERED CUSTOMER CAPACITY CHARGES (Terms and Conditions of Service)**

**A. Dual Fuel Tariff (M.D.T.E. No. 67)**

The primary point to be made here is that Bay State's proposal has two facets: a ratemaking or revenue facet and an operational integrity facet. The latter is far more important than the former. M.D.T.E. No. 67; Tr. at 1769. Contrary to allegations of the intervenors, the proposed tariff does not benefit other customers unless dual fuel customers use the service that the Company is obligated to provide, that is, the distribution capacity that must be reserved to meet their potential peak day requirements. If such customers do not use the capacity, other firm customers will pay for the unused capacity. A polling of customers was unnecessary to determine the need for this tariff: it is clear that Bay State's proposed service terms have highlighted the risks and costs involved by serving these customers. RR-DTE-77; Tr. at 1769, et seq. So long as dual fuel customers are connected to Bay State's operating system and can begin running their operations merely by turning on their gas-fired equipment, Bay State's ability to ensure reliable service to its firm core customers is impaired. If the potential remains for these customers to draw on Bay State's system at their discretion, without Bay State having any notice, and the day a dual fuel customer decides to draw on Bay State's service is a critical day from an operational standpoint, Bay State may then have insufficient supply to serve its firm load, and system failure can result.

The focus of the intervenors in this proceeding has been on the revenues that may be generated by M.D.T.E. No. 67. AIM Comments at 2; MOC Br. at 6. Bay State's interest is in maintaining system integrity and reliability, ensuring these customers bear the true cost to serve them, and in being able to withstand the critical days that have been demonstrated in recent years to challenge Bay State's system design standards, and to do so without suffering an operational shortfall or curtailment because of the actions of dual fuel customers. For these reasons, and for all the reasons set forth in its Initial Brief, Bay State's proposed Dual Fuel Tariff (M.D.T.E. No. 67) should be allowed.

**B. Grandfathered Transportation Customer Capacity Charge**

AIM complains that Bay State's proposed terms and conditions regarding Grandfathered Transportation customers (Exh. BSG/JAF-3, p. 414, Sec. 11.6.3), includes an additional burden by requiring such transportation customers to take a full year capacity charge in addition to overtime penalties. AIM Comments at 2. However, the overtime on a single day, especially on a peak day, demonstrates that Grandfathered Transportation Customers impose a risk to firm service. That risk can only be addressed by the Company ensuring that it is managing the capacity that is required to ensure service when there is an under-delivery to such customers. Bay State's proposal is therefore prudent, reasonable and consistent with its obligation to ensure reliable service to its firm customers.

**IX. COST OF GAS ADJUSTMENT – RECOVERY OF BAD DEBT**

The Attorney General, for the first time on Reply, challenges the method by which Bay State currently recovers bad debt through its cost of gas adjustment. AG Reply Br. at 40 (calling

it a “dollar for dollar recovery”). The Attorney General asserts that Bay State merely claims that there is price volatility, when in fact that volatility has existed for a decade. AG Reply Br. at 40 (citing an extra-record website for support). Moreover, the Attorney General claims that Bay State is making a proposal that is a “change in Department policy.” AG Reply Br. at 40. None of these statements is correct.

First, the Attorney General has not challenged this method of bad debt calculation in any of Bay State’s cost of gas adjustment filing since 1997. It has not, until now, challenged this mechanism in this proceeding. The calculation does not assure a real-time dollar-for-dollar recovery: the normal incentives to ensure that bad debt is collected to the extent possible are all intact.

Second, the unprecedented current volatility in pricing the gas commodity is a valid basis for the Department to re-examine its bad debt policy as it applies to gas cost. Contrary to the Attorney General’s assertions, Bay State was not referring to the novelty resulting from market fluctuations, but rather the relative shock of the impact of the volatility. Based on the record evidence in this case, a 32% change in gas cost in the test year represents \$745,560 in bad debt to Bay State, but the same percentage change in 1992, when Bay State’s rates were last established, would have represented \$136,344. This is based on residential sales volumes as included in Bay State’s 2004 test year. Exh. BSG/JAF-1. The actual impact would be higher if the calculation were to include all sales (including industrial and commercial) throughput. It is important to note that a 32% change as recently as 1999, as compared to residential sales, represented only \$145,267. Exh. BSG/JAF-1. (volumes and revenues forecast).

Third, Bay State's filing is not a "change to Department policy." In the mid-1990's, Bay State along with the other local distribution companies unbundled bad debt expense in order to recover bad debt associated with gas costs based on, and reconciled to, actual bad debt expense. Gas prices and the gas supply business due to unbundling could have declined, lowering the recovery of bad debt from the test year level. However, in the current environment and given wildly volatile gas costs, it is appropriate to permit Bay State to continue recovering a reasonably accurate level of bad debt associated with its gas cost. Given the extreme swings in pricing, a deviation from actual cost is much more onerous for LDCs to shoulder, leading both to an impairment of earnings and a blurring of what constitutes a fair price of gas for ratepayers. It is reasonable to note that prices may decline at some point as well: if this happens during Bay State's PBR, the current prices and associated costs and bad debt expense would go down as well, but this would not be reflected in Bay State's rates without the mechanism it now employs. Bay State's approach does not gamble on pricing fluctuations, be those up or down.

The Attorney General's newly espoused affinity with the calculation imposed on Fitchburg Gas & Electric in D.T.E. 02-24/25 (2002) and on KeySpan d/b/a Boston Gas in D.T.E. 03-40 (2003), in spite of their requests that the Department confirm for them mechanisms similar to Bay State's, does not explain how he might react if those companies approached the Department with base rate proceedings as a result of the constant, unrelenting earnings erosion resulting from the new method seen now to be Department policy. Bad debt is a direct function of the commodity cost of gas which is known to be an element of customer bills that is outside the control of the LDC. The Department must preserve each utility's right to recover reasonable

costs of serving customers, and especially those costs over which they have no control, such as gas cost bad debt, while ensuring the calculation incents continued collection activity. The record amply demonstrates that Bay State actively pursues its bad debt of all kinds and does so with success; and where those are gas cost related or recovered in a test year or applied to test year bad debt, such collections inure to the benefit of ratepayers. No other mechanism should be imposed on Bay State, and the Department should accept the calculations as used by Bay State without challenge since the mid-1990's.

#### **X. CONCLUSION**

For the reasons set forth in its Reply Brief and its Initial Brief, Bay State requests that the Department grant the Company's request for rate relief and allow the other rate modifications it has proposed.

Respectfully submitted,

BAY STATE GAS COMPANY

By its Attorneys,

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DATED: September 30, 2005

### CERTIFICATION

I certify that I served today a copy of the attached Reply Brief of Bay State Gas Company by hand delivery, first class mail, postage prepaid or electronically on the Department of Telecommunications and Energy and all parties on the service list on file with the Secretary of the Department of Telecommunications and Energy for this proceeding.

Dated at Boston, Massachusetts this 30th day of September, 2005.

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BAY STATE GAS COMPANY  
D.T.E. 05-27

FINAL REVENUE REQUIREMENT SCHEDULES OF  
BAY STATE GAS COMPANY  
As of September 30, 2005

Accompanying Bay State Gas Company's ("Bay State's") initial filing in this proceeding on April 27, 2005 ("Initial Filing"), Bay State revenue requirements consultant John E. Skirtich provided certain schedules supporting his revenue requirement recommendation that were included in Exh. BSG/JES-1. Those schedules forming the basis for Bay State's requested revenue requirement were identified as Exh. BSG/JES-1, Schedules JES-1 through JES-16, in Vol. II of the Initial Filing. Mr. Skirtich also provided workpapers supporting his schedules. Exh. BSG/JES (Workpapers).

The attached schedules and workpapers, identified for convenience as Exh. BSG/JES-1, Schedules JES-1 (Revision 1) through JES-16 (Revision 1) and Exh. BSG/JES (Workpapers) (Revision 1) reflect all corrections, updates and other changes made by Bay State to its revenue requirement calculation during the course of the proceeding and through to the filing of Bay State's Reply Brief.

As a result of the cumulative impact of these revisions, Bay State's demonstrated revenue deficiency has been reduced from \$22,238,326 to \$21,673,150. Exh. BSG/JES-1 at Sch. JES-2 (Revision 1).

Schedule JES-1(a) (Revision 1) has been added to Schedule JES-1 for presentation and clarity, but provides no new information that is not otherwise contained in the record. Accordingly, Sch. JES-1(a) (Revision 1) lists each of the changes, modifications or corrections identified during the proceeding. Record evidence supporting each change, modification or correction is referenced in Column 4 of Sch. JES-1(a) (Revision 1). Column 5 cross-references the location in Mr. Skirtich's revenue requirement schedules or workpapers where the change, modification or correction is incorporated. For ease of identification, the page and line of the respective Revision 1 Schedule or Workpaper<sup>1</sup> where a change, modification or correction has occurred is highlighted. Finally, Sch. JES-16, Pages 1 through 9 (Revision 1), the Department's prescribed schedules, show the originally filed amounts, the adjusted level and the final revised revenue requirement (see Columns 1, 2 & 3, respectively). Accordingly, at the close of the record in this proceeding, Bay State has demonstrated a need for \$21,673,150 in additional revenue to meet its revenue requirement and to serve its customers.

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<sup>1</sup> The supporting workpapers affected by the changes are Workpaper: Table of Contents (Revision 1), Workpaper JES-6, Pages 1 through 31 (Revision 1); Workpapers JES-7, Pages 1 and 2 (Revision 1); Workpapers JES-8 (Revision 1); Workpapers JES-9 (Revision 1); Workpapers JES-10 (Revision 1); Workpaper JES-11 (Revision 1); and Workpapers JES-13 Pages 1 and 2 (Revision 1).

Bay State Gas Company  
2005 General Rate Case  
Revenue Requirements  
List of Corrections and Updates 1\_

Ln. No.	Descriptions (1)	Detail (2)	Adjustments (3) (\$)	Source Reference (4)	Cost of Service Reference (5)
1	Additional special contract revenue		404,852	AG-9-2	Sch. JES-4, Col. 3, Ln. 6
2	Amortization of additional Metscan lease cost		395,809 2_	DTE-1-21 (Supp)	Sch. JES-8, Pg. 3, Ln. 4
3	Removal of GTI Funding		(310,000)	Tr. 6 @ 1,049	Sch. JES-6, Pg. 15, Ln. 4
4	Inflation factor update of July, 2005		4.31%	AG-3-26	Sch. JES-6, Pg. 19, Ln. 25
5					Sch. JES-6, Pg. 20, Ln. 3
6	Insurance premium - correcting allocation percentages		(133,699)	AG-3-9	WP JES-6, Pg. 17 Lns. 2 thru 13
7	Property tax update		(91,840)	AG-3-36	3_ Sch. JES-9, Pg. 3, Lns. 10, 21, 30
8				RR-DTE-18	
9	Property tax - allocation of non-utility portion		(22,538)	DTE-1-5, AG-11-9	Sch. JES-9, Pg. 2, Ln. 6
10	Metscan - change for correct depreciation rate		24.17%	DTE-5-29	Sch. JES-7, Pg. 3, Col. 3, Ln. 43
11	2005 exempt labor - percentage correction	13,574 4_	2.30%	RR-DTE-18	WP JES-6, Pg. 3, Ln. 11
12	2005 Local No. 326 labor (Straight Time):	57,157 4_	2.50%	RR-DTE-18	WP JES-6, Pg. 2, Ln. 8
13	2005 Local No. 326 labor (OT):	12,456 4_	2.50%	BSG-JES-1, P. 13	WP JES-6, Pg. 9, Ln. 6
14				RR-DTE-18	
15	Related payroll taxes on additional labor (Lns. 11, 12 & 13 above)		3,556	RR-DTE-18	Sch. JES-9, Pg. 4, Ln. 7
16	Depreciation linkage correction:				
17	Workpaper JES-7, Pg 1, Ln. 27- Revised	53,211			
18	Workpaper JES-7, Pg 1, Ln. 27- Original	66,839	13,628	RR-DTE-18	Sch. JES-7, Pg. 2, Ln. 4
19	Property linkage correction				
20	Workpaper JES-9, Pg 1, Ln. 27- Revised	1,031			
21	Workpaper JES-9, Pg 1, Ln. 27 - Original	1,507	476	RR-DTE-18	Sch. JES-9, Pg. 2, Ln. 5
22	Rate case expense:				
23	Amortization as filed - Schedule JES-6, Pg. 8	331,700			
24	Amortization per DTE-15-58 as of September 30th	490,158	158,458	DTE-15-58	WP JES-6, Pg. 20 Lns. 1 thru 13
25	(Includes applicable adjustments and corrections)				
26	Bad Debt Expense:				
27	Corrected Sch. JES-6, Pg 9, Ln 11 - Bad Debt	10,219,447			
28	As filed Sch. JES-6, Pg. 9, Ln 11 - Bad Debt	10,305,726			
29	Difference	(86,279)			
30	Base rate percentage - 100% less 69.07%	30.93%			
31	Base rate amount	(26,686)	(26,686)	DTE-9-20 Supp	Sch. JES-6, Pg. 9, Ln. 11
32	Corrected bad debt rate		2.15%	RR-DTE-18	Sch. JES-4, Col. 3, Ln. 19
33	NCSC Executive Compensation Billed Incorrectly		(36,084)	RR-UWUA-9	Sch. JES-6, Pg. 11, Ln. 5

Bay State Gas Company  
2005 General Rate Case  
Revenue Requirements  
List of Corrections and Updates 1\_

<u>Ln. No.</u>	<u>Descriptions</u> (1)	<u>Detail</u> (2)	<u>Adjustments</u> (3) (\$)	<u>Source Reference</u> (4)	<u>Cost of Service Reference</u> (5)
34	Capitization of Workers Compensation - Insurance Premium		(36,413)	Brief Pages 82 / 83	Sch. JES-6, Pg. 5, Ln. 3
35	Capitization of Workers Compensation - Self Insurance		62,945	Brief Pages 82 / 83	Sch. JES-6, Pg. 6, Ln. 4
36	Accumulated Late Charges on Lease payments		22,085	RR-AG-93	Sch. JES-6, Pg. 17, Ln. 6
37	Update debt cost on requested return		6.12%	RR-DTE-51, P. 1	Sch. JES-12, Col. 2, Ln. 1

Note:

1\_ / The Company's original revenue request is further impacted by the effect of these changes on Other O&M Cash working capital, as applicable, and uncollectibles at 2.2% (2.15%/97.85). In addition, the entire revenue request will be impacted due to the change in the bad debt rate from 2.17% to 2.15%.

2\_ / This change is amortized over 5 years - the proposed PBR period.

3\_ / AG-3-36 identified \$75,221 reduction, but the Company has received additional tax bills.

4\_ / Gross amounts before capitalization.

Bay State Gas Company  
Revenue Requirement  
Test Year Ended December 31, 2004

Line No.	Description	Per Books (1) \$	Adjustments (2) \$	Adjusted Books (3 = 1 + 2) \$	Proposed Revenue Increase (4) \$	Revenue Requirement (5 = 3 + 4) \$	Proposed % Increase (6 = 4 / 3)	Reference (7)
1	Operation Revenue	510,457,335	(28,202,823)	482,254,512	21,673,150	503,927,662	4.49%	Sch. JES - 4
2	Operating Expenses:							
3	Cost of Gas	323,863,512	(16,384,861)	307,478,651	0	307,478,651		Sch. JES - 5
4	O&M Expense	99,007,484	(24,268)	98,983,216	465,973	99,449,189		Sch. JES - 6, Page 1 of 20
5	Depreciation	24,126,707	4,684,399	28,811,106	0	28,811,106		Sch. JES - 7, Page 1 of 4
6	Amortization	15,036,749	(8,404,693)	6,632,056	0	6,632,056		Sch. JES - 8, Page 1 of 3
7	Taxes Other Than Income	9,665,342	291,478	9,956,820	0	9,956,820		Sch. JES - 9, Page 1 of 4
8	Interest on Customer Deposits	0	72,506	72,506	0	72,506		Sch. JES - 10
9	Total Operating Expenses (Lines 3 through 8)	471,699,794	(19,765,439)	451,934,355	465,973	452,400,328		
10	Operating Income Before Income Taxes (Line 1 less Line 9)	38,757,540	(8,437,384)	30,320,157	21,207,177	51,527,334		
11	Income Taxes			7,390,450	8,318,516	15,708,966		Sch. JES - 11
12	Operating Income After Income Taxes (Line 10 less Line 11)			22,929,707	12,888,661	35,818,368		
13	Rate Base			397,099,434		397,099,434		Sch. JES - 13, Page 1 of 4
14	Return on Rate Base			5.77%		9.02%		

Witness:Skirtich  
D. T. E. 05-27  
Exh. BSG/JES-1  
Schedule JES - 2  
[Revision 1]

Bay State Gas Company  
Revenue Deficiency Summary  
Test Year Ended December 31, 2004

<u>Line No.</u>	<u>Description</u>	<u>Amount (1) \$</u>	<u>Reference (2)</u>
1	<u>Revenue Requirement Calculation</u>		
2	Rate Base	397,099,434	Sch. JES - 13, Page 1 of 4
3	Return on Rate Base	<u>9.02%</u>	Sch. JES - 12
4	Required Return	35,818,369	
5	Operating Income After Taxes	22,929,707	Sch. JES - 1
6	Shortfall (Ln. 4 Less Ln. 5)	12,888,662	
7	Revenue Requirement Factor	<u>1.6816</u>	Sch. JES - 3
8	Revenue Deficiency	21,673,150	

Witness: Skirtich  
 D. T. E. 05-27  
 Exh. BSG/JES-1  
 Schedule JES - 3  
 [Revision 1]

**Bay State Gas Company**  
**Computation of Revenue Requirement Factor**  
**For The Twelve Months Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>		<u>Percentage of Incremental Gross Revenue</u> (1)	<u>Reference</u> (2)
1	Operating Revenue		100.0000%	
2	Less: Uncollectible 3 Year Weighted Average			
3	Bad Debt Percentage		2.1500%	Sch. JES-6, Page 9 of 20
4	Net Revenues		97.8500%	(Ln 1 minus Ln 3)
5	State Franchise Tax	6.50%	<u>6.3603%</u>	(Ln 4 times 6.50%)
6	Income Before Federal Income Tax		91.4898%	(Ln 4 minus Ln 5)
7	Federal Income Tax @ 35%	35%	<u>32.0214%</u>	(Ln 6 times 35.0%)
8	Operating Income Percentage		59.4683%	(Ln 6 minus Ln 7)
9	Revenue Requirement Factor		<u>1.6816</u>	(100 % Divided By Line 8)

Bay State Gas Company  
Operating Revenue Summary  
Test Year Ended December 31, 2004

Line No.	Description	Per Books (1) \$	Adjustments (2) \$	Annualized Revenue at Current Rates (3) \$	Reference (4)
1	Residential Sales Revenue	334,824,296	(7,113,546)	327,710,750	Sch. JAF - 1-1
2	Comm/Industrial Sales Revenue	127,857,611	(3,652,138)	124,205,473	Sch. JAF - 1-1
3	Interruptible Sales Revenue	<u>2,904,376</u>	<u>(2,904,376)</u>	0	Sch. JAF - 1-1
4	TOTAL TARIFF REVENUES	465,586,283	(13,670,060)	451,916,223	
5	Residential Transportation of Gas	21,028	4,167	25,195	Sch. JAF - 1-1
6	Comm/Industrial Transportation of Gas	<u>23,754,251</u>	<u>(372,556)</u>	<u>23,381,695</u>	Sch. JAF - 1-1
7	Off System Sales	3,874,467	(3,874,467)	0	Sch. JAF - 1-1
8	Gas Property Revenue	1,513,333	0	1,513,333	Sch. JAF - 1-1
9	Rental Revenue	6,824,456	0	6,824,456	Sch. JAF - 1-1
10	Guardian Care/Inspections	7,690,936	0	7,690,936	Sch. JAF - 1-1
11	Lost Net Revenue	329,951	(329,961)	(10)	Sch. JAF - 1-1
12	Late Payment Charges	685,241	0	685,241	Sch. JAF - 1-1
13	Return Check Charge	27,736	0	27,736	Sch. JAF - 1-1
14	Carrying Costs-Pre tax of Rate of Return	(988,819)	988,820	1	Sch. JAF - 1-1
15	Prod & Storage Revenues	1,044,497	8,085,135	9,129,632	Sch. JAF - 1-1
16	Customer R&C Shut-off Turn-off	<u>93,975</u>	<u>0</u>	<u>93,975</u>	Sch. JAF - 1-1
17	TOTAL OTHER OPER. REVENUES	44,871,052	4,501,138	49,372,190	
18	Elimination of Indirect GAF and DAF	0	(26,092,473)	(26,092,473)	Sch. JAF - 1-1
19	Add back Bad Debt Exp. Included in Indirect Gas Cost	<u>0</u>	<u>7,058,572</u>	<u>7,058,572</u>	Sch. JAF - 1-1
20	TOTAL REVENUE	<u>510,457,335</u>	<u>(28,202,823)</u>	<u>482,254,512</u>	

Bay State Gas Company  
Revenue Requirement Summary  
Test Year Ended December 31, 2004

Line No.	Description	Per Books (1) \$	Adjustments (2) \$	Adjusted (3) \$	Reference (4)
1	Total Cost of Gas	323,863,512	(16,384,861)	307,478,651	Sch. JAF - 1-1
2	Other Operating & Maintenance Expenses	99,007,484	(24,268)	98,983,216	Sch. JES - 6, Page 1 of 20
3	Bad Debt on Proposed Rate Increase	0	465,973	465,973	Sch. JES - 1
4	Total Operating & Maintenance Expenses (Line 1 plus Lines 2 & 3)	422,870,996	(15,943,156)	406,927,840	
5	Depreciation Expense	24,126,707	4,684,399	28,811,106	Sch. JES - 7, Page 1 of 4
6	Amortization of Utility Plant	15,036,749	(8,404,693)	6,632,056	Sch. JES - 8, Page 1 of 3
7	Taxes Other Than Income	9,665,342	291,478	9,956,820	Sch. JES - 9, Page 1 of 4
8	Interest on Customer Deposits	0	72,506	72,506	Sch. JES - 10
9	Federal Income & Mass State Franchise Tax	11,571,079	4,137,887	15,708,966	Sch. JES - 11
10	Return on Rate Base	27,186,461	8,631,906	35,818,368	Sch. JES - 1
11	Total Other Items	87,586,339	9,413,483	96,999,822	
12	Total Revenue Requirement (line 4 plus Line 12)	510,457,335	(6,529,673)	503,927,662	



**Bay State Gas Company**  
**Adjustments to Operating and Maintenance Expense Summary**  
**Test Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1) \$	<u>Reference</u> (2)
1	Payroll Adjustment - Union	1,226,074	Sch. JES - 6, Page 2 of 20
2	Payroll Adjustment - Non-Union	454,313	Sch. JES - 6, Page 2 of 20
3	Incentive Compensation	(124,422)	Sch. JES - 6, Page 3 of 20
4	Medical and Dental Insurance	741,045	Sch. JES - 6, Page 4 of 20
5	Property & Liability Insurance Expense	(75,116)	Sch. JES - 6, Page 5 of 20
6	Self Insurance Claims	142,966	Sch. JES - 6, Page 6 of 20
7	Gain on Sale of Property	(408,197)	Sch. JES - 6, Page 7 of 20
8	Rate Case Expense	490,045	Sch. JES - 6, Page 8 of 20
9	Bad Debt Expense - Gas Revenue	7,019,753	Sch. JES - 6, Page 9 of 20
10	Bad Debt Expense - EP&S	246,232	Sch. JES - 6, Page 10 of 20
11	NiSource Corporate Services Company	712,038	Sch. JES - 6, Page 11 of 20
12	Charitable Contributions	(147,271)	Sch. JES - 6, Page 12 of 20
13	Amortization of Deferred Farm Discount Credits	15,320	Sch. JES - 6, Page 13 of 20
14	Postage	67,947	Sch. JES - 6, Page 14 of 20
15	Research and Development Costs Related to GTI Activity	0	Sch. JES - 6, Page 15 of 20
16	Itron Lease Payment	310,104	Sch. JES - 6, Page 16 of 20
17	Metscan Meter Reading Lease Payment & Late Charges	(2,941,136)	Sch. JES - 6, Page 17 of 20
18	CGA & LDAC Recoverable Costs	(9,227,167)	Sch. JES - 6, Page 18 of 20
19	Inflation	<u>1,473,203</u>	Sch. JES - 6, Page 19 of 20
20	Total Operating and Maintenance Expense Adjustments	<u>(24,268)</u>	

**Bay State Gas Company**  
**Adjustments to Operating Expenses - Bay State Payroll Adjustment Union and Non-Union**  
**Test Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Union</u> (1) \$	<u>Non-Union</u> (2) \$	<u>References</u>
1	<b><u>2004 Payroll (Test Year)</u></b>			
2	Straight Time	22,009,509	5,407,913	Union: WP JES-6 (P.2; L.2)
3				Non-Union: WP JES-6 (P.3; L.2)
4	Overtime	<u>5,526,815</u>	<u>310,751</u>	Union: WP JES-6 (P.4; L.7)
5				Non-Union: WP JES-6 (P.10; L.2)
6	2004 Total Payroll (In 2 + In 4)	27,536,324	5,718,664	
7				
8	<b><u>2004 Payroll Adjustment *</u></b>			
9	Straight Time	235,513	246,335	WP JES-6 (P.1; L.7)
10	Overtime	<u>15,684</u>	<u>1,024</u>	WP JES-6 (P.1; L.8)
11	2004 Total Adjustment (In 9 + In 10)	251,197	247,359	
12				
13	<b><u>2005 Payroll Adjustment</u></b>			
14	Straight Time	398,721	106,149	WP JES-6 (P.1; L.16)
15	Overtime	<u>103,273</u>	<u>7,082</u>	WP JES-6 (P.1; L.17)
16	2005 Total Adjustment (In 14 + In 15)	501,994	113,231	
17				
18	<b><u>2006 Payroll Adjustment</u></b>			
19	Straight Time	375,882	88,860	WP JES-6 (P.1; L.25)
20	Overtime	<u>97,001</u>	<u>4,863</u>	WP JES-6 (P.1; L.26)
21	2006 Total Adjustment (In 19 + In 20)	472,883	93,723	
22				
23	<b><u>Total Payroll Adjustment</u></b>			
24	Straight Time (In 9 + In 14 + In 19)	1,010,116	441,344	
25	Overtime (In 10 + In 15 + In 20)	<u>215,958</u>	<u>12,969</u>	
26	Total Adjustment (In 24 + In 25)	<u>1,226,074</u>	<u>454,313</u>	<u>1,680,387</u>

\* Reflects annualization of payroll adjustments made in 2004.

**Bay State Gas Company**  
**Adjustments to Operating Expenses - Incentive Compensation**  
**Test Year Ended December 31, 2004**

<b>Line No.</b>	<b><u>Description</u></b>	<b>Assigned To BSG (1) \$</b>
	<u>Bay State Incentive Compensation</u>	
1	2003 Incentive Compensation Under Accrual Booked in 2004	
2	Amount Assigned to Bay State	97,306
3	Bay State's Portion of Billed Management Fee	<u>27,116</u>
4	Bay State's portion of 2003 Under Accrual	124,422
5	Test Year Adjustment	<u>(124,422)</u>

**Bay State Gas Company**  
**Adjustment To Operating Expenses - Medical and Dental Insurance**  
**Test Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1) \$	<u>Reference</u> (2)
1	<u>Test Year Medical and Dental Insurance Expense 12/31/04</u>		
2	BCBS Master Medical (IND)	466,900	WP-JES-6, Page 11, Ln 6
3	Harvard Pilgram HMO	957,700	WP-JES-6, Page 11 Ln 12
4	HMO Blue (BCBS-MA)	163,100	WP-JES-6, Page 11 Ln 18
5	UHC (POS) *	35,000	WP-JES-6, Page 11 Ln 24
6	United OOA	22,100	WP-JES-6, Page 11 Ln 30
7	Tufts HMO (Union)	1,245,600	WP-JES-6, Page 11 Ln 36
8	Anthem BCBS NH/ME HMO (Union)	34,300	WP-JES-6, Page 11 Ln 42
9	Health New England HMO	683,300	WP-JES-6, Page 12 Ln 6
10	BCBS Blue Choice (POS)*	338,900	WP-JES-6, Page 12 Ln 12
11	PPO	67,200	WP-JES-6, Page 12 Ln 18
12	Standard Plan 1	2,400	WP-JES-6, Page 12 Ln 24
13	Standard Plan 2	8,100	WP-JES-6, Page 12 Ln 30
14	BCBS Dental	295,100	WP-JES-6, Page 13 Ln 6
15	Basic Dental	27,400	WP-JES-6, Page 13 Ln 12
16	Dental Plus	<u>45,400</u>	WP-JES-6, Page 13 Ln 18
17	Total Test Year Medical and Dental Insurance 12/31/04	4,392,500	
18	<u>Medical and Dental Insurance Expense 12/31/05 Enrollment and Rates</u>		
19	BCBS Master Medical (IND)	451,100	WP-JES-6, Page 14 Ln 6
20	Harvard Pilgram HMO	1,130,300	WP-JES-6, Page 14 Ln 12
21	HMO Blue (BCBS-MA)	321,100	WP-JES-6, Page 14 Ln 18
22	UHC (POS) *	22,700	WP-JES-6, Page 14 Ln 24
23	United OOA	23,700	WP-JES-6, Page 14 Ln 30
24	Tufts HMO (Union)	1,660,400	WP-JES-6, Page 14 Ln 36
25	Anthem BCBS NH/ME HMO (Union)	84,000	WP-JES-6, Page 15 Ln 6
26	Health New England HMO	953,400	WP-JES-6, Page 15 Ln 12
27	BCBS Blue Choice (POS)*	0	WP-JES-6, Page 15 Ln 18
28	PPO	223,400	WP-JES-6, Page 15 Ln 24
29	Standard Plan 1	9,500	WP-JES-6, Page 15 Ln 30
30	Standard Plan 2	50,100	WP-JES-6, Page 15 Ln 36
31	BCBS Dental	197,000	WP-JES-6, Page 16 Ln 6
32	Basic Dental	125,800	WP-JES-6, Page 16 Ln 12
33	Dental Plus	<u>119,700</u>	WP-JES-6, Page 16 Ln 18
34	Total Medical and Dental Insurance Expense Annualized	5,372,200	
35	Medical and Dental Insurance Difference (Line 34 less Line 17)	979,700	
36	Percent to O&M Expense	<u>75.64%</u>	
37	Medical and Dental Insurance Adjustment (Line 35 times Line 36)	<u>\$741,045</u>	
38	* (POS) Point of Service		

Bay State Gas Company  
 Adjustment To Operating Expenses - Property & Liability Insurance Expense  
 Test Year Ended December 31, 2004

Line No.	Description	Annualized Expense (1) \$	2004 Test Year Expense (2) \$	2004 Adjustment (3 = 1 - 2) \$	Reference (4)
	<u>Policy</u>				
1	Primary Liability	157,760	300,863	(143,103)	WP-JES-6, Page 17, Ln 2 & Page 18, Ln 1
2	General Liability	555,308	528,957	26,351	WP-JES-6, Page 17, Ln 13 & Page 18, Ln 2
3	Workers Compensation	509,448 1/	396,382 1/	113,066	WP-JES-6, Page 17, Ln 18 & Page 18, Ln 3
4	Auto Liability	68,392	62,821	5,571	WP-JES-6, Page 17, Ln 22 & Page 18, Ln 4
5	SIR Buy Down Liability	191,175	191,380	(205)	WP-JES-6, Page 17, Ln 23 & Page 18, Ln 5
6	Property	97,869	107,798	(9,929)	WP-JES-6, Page 17, Ln 42 & Page 18, Ln 6
7	Directors & Officers Liability	489,661	493,903	(4,242)	WP-JES-6, Page 17, Ln 47 & Page 18, Ln 7
8	Fiduciary Liability	17,771	28,070	(10,299)	WP-JES-6, Page 17, Ln 49 & Page 18, Ln 8
9	Special Crime	1,285	53,981	(52,696)	WP-JES-6, Page 17, Ln 52 & Page 18, Ln 9
10	Bonds	840	470	370	WP-JES-6, Page 17, Ln 58 & Page 18, Ln 10
11	Total Premiums	2,089,509	2,164,625	(75,116)	

1/ Reduced by 24.36% to reflect capitalization.

**Bay State Gas Company**  
**Adjustment To Operating Expenses - Self- Insurance Claims**  
**Test Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Workers Compensation</u> (1) \$	<u>General Liability</u> (2) \$	<u>Auto Liability</u> (3) \$	<u>Total</u> (4) \$	<u>Reference</u> (5)
1	Per Books	258,394	72,701	66,654	397,749	
2	Normalization - 5 Year Average	<u>0</u>	<u>424,075</u>	<u>53,695</u>	<u>477,770</u>	WP-JES-6, Page 19, Ln 7
3	Adjustment	(258,394)	351,374	(12,959)	80,021	
4	Percent to O&M Expense	<u>75.64%</u>	<u>0</u>	<u>0</u>		Brief Pages 82 / 83
5	Adjustment	(195,449)	351,374	(12,959)	<u>142,966</u>	

**Bay State Gas Company**  
**Adjustment to Operating Expenses - Gain on Sale of Property**  
**Test Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Sale of Water Heaters</u> (1) \$	<u>Westborough Building and Land</u> (2) \$	<u>LNG Trailers</u> (3) \$	<u>Propane Properties</u> (4) \$	<u>Total</u> (5) \$
1	<u>Year Sold</u>	1995	1997	2001	2001	
2	Sales Proceeds - Net	20,667,000	10,145,273	700,000	891,015	
3	Less:					
4	Net Book Value of Building					
5	&/or Equipment	20,240,818	8,024,444	-	574,877	
6	Book Value of Land	<u>-</u>	<u>1,256,000</u>	<u>-</u>	<u>85,935</u>	
7	Net Gain on Sale	426,182	864,829	700,000	230,203	2,221,214
8	Portion Assigned to Affiliates					
9	&/or Non-utility	<u>-</u>	<u>141,832</u>	<u>-</u>	<u>38,398</u>	<u>180,230</u>
10	Net Gain (Ln. 7 less Ln. 9)	426,182	722,997	700,000	191,805	2,040,984
11	Amortization period - PBR period					<u>5</u>
12	Amortization					<u>(408,197)</u>

**Bay State Gas Company**  
**Adjustment To Operating Expenses - Rate Case Expense**  
**Test Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1) \$	<u>Reference</u> (2)
1	Legal	644,254	WP-JES-6, Page 20, Ln 1
2	Depreciation Study	67,743	WP-JES-6, Page 20, Ln 2
3	Cost of Capital Support	52,766	WP-JES-6, Page 20, Ln 3
4	Performance Based Ratemaking Plan	266,686	WP-JES-6, Page 20 , Ln 4
5	Cost of Service Study and Marginal Cost Study	189,600	WP-JES-6, Page 20 , Ln 5
6	Steel Infrastructure Replacement Program Support	318,414	WP-JES-6, Page 20, Ln 6
7	Labor and Benefit Analyses	69,381	WP-JES-6, Page 20 , Ln 7
8	Historic Capital Expenditures	44,228	WP-JES-6, Page 20 , Ln 8
9	Other Professional Services	494,879	WP-JES-6, Page 20 , Ln 9
10	Miscellaneous services (Copying, Supplies, Temporary Help, etc.)	238,239	WP-JES-6, Page 20 , Ln 10
11	Adjustments/Corrections	(3,507)	WP-JES-6, Page 20 , Ln 11
12	Remaining Estimate of Rate Case Expenses	<u>67,540</u>	WP-JES-6, Page 20 , Ln 13
13	Total Estimated Rate Case Expenses (Lines 1 - 12)	2,450,223	
14	PBR Period	<u>5</u> Yrs.	
15	Annual Amortization (Line13 / Line14)	<u>490,045</u>	



Bay State Gas Company  
Adjustment To Operating Expenses - Bad Debt Expense - Gas Revenue  
Test Year Ended December 31, 2004

Line No.	Description	Firm Billed Revenue (1) \$	Net Write-Offs (2) \$	% of Write-Offs To Revenue (3 = 2 / 1 )	Reference (4)
Year:					
1	2002	314,644,583	7,526,468	2.39%	WP-JES-6, Page 21, Ln 4, & Ln 17
2	2003	447,636,461	9,936,287	2.22%	WP-JES-6, Page 21, Ln 4, & Ln 31
3	2004	473,501,753	9,076,524	1.92%	WP-JES-6, Page 21, Ln 4, & Ln 44
4	Total	1,235,782,797	26,539,280		
5	Three Year Weighted Average of				
6	Net Write-Offs as a % of Firm Billed Revenue			2.15%	
7	Test Year Normalized Firm Sales:				
8	Test Year Firm Gas Revenues - Billed			\$	Sch JES-4, Col. 1, Lns 4,5,6
9	Add: Firm Sales Adjustments			489,361,562 (14,038,449)	Sch JES-4, Col. 2, Lns 4,5,6
10	Test Year Normalized Firm Sales			475,323,113	
11	Allowable Bad Debt Expenses (Line 6 x Line 10)			10,219,447	
12	Less: Test Year Bad Debt Expenses 2004			3,199,694	WP-JES-6, Page 21, Line 53
13	Total Bad Debt Expense Adjustment (Line 11 minus Line 12)			7,019,753	

Bay State Gas Company  
Adjustment To Operating Expenses - Bad Debt Expense - EP&S  
Test Year Ended December 31, 2004

Line No.	Year	Misc. Service Revenue (1) \$	Other Revenue Net Write-Offs (2) \$	% of Write-Offs To Revenue (3 = 2 / 1 )	Reference (4)
		<u>Other Revenue Write-Offs</u>			
1	2002	14,426,620	586,771	4.07%	WP-JES-6, Pages 23, Ln 1 Page 22, Ln 14
2	2003	14,038,784	754,752	5.38%	WP-JES-6, Pages 23, Ln 1 Page 22, Ln 28
3	2004	<u>14,515,392</u>	<u>609,767</u>	4.20%	WP-JES-6, Pages 23, Ln 1 Page 22, Ln 42
4	Total	42,980,795	1,951,290		
5	Three Year Weighted Average of Other Revenue				
6	Net Write-Offs as a % of Misc Service Revenue			4.54%	
7	Test Year Normalized Other Revenue Sales:				
8	Test Year Miscellaneous Service Revenues			\$ 14,515,392	WP-JES-6, Pages 23, Ln 1
9	Allowable Other Revenue Bad Debt Expenses (line 6 x line 8)			658,999	
10	Less: Other Revenue Test Year Bad Debt Expenses 2004			<u>412,767</u>	WP-JES-6, Page 23, Ln 9
11	Total Other Revenue Bad Debt Expense Adjustment (Line 9 Minus Line 10)			<u>246,232</u>	

**Bay State Gas Company**  
**Adjustment To Operating Expenses - NiSource Corporate Services Company**  
**Test Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1) \$	<u>Reference</u> (2)
1	Payroll	454,871	WP-JES-6, Page 24, Ln 24
2	Benefits - Medical & Dental	274,566	WP-JES-6, Page 26, Ln 15
3	Payroll Taxes	27,421	WP-JES-6, Page 25, Ln 10
4	Charitable Contributions	(8,735)	WP-JES-6, Page 27, Ln 20
5	NCSC Executive Compensation Billed Incorrectly	(36,084)	RR-UWUA-9
6	Total Adjustment	<u>712,038</u>	

Witness:Skirtich  
D. T. E. 05-27  
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Schedule JES - 6  
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**Bay State Gas Company**  
**Adjustment To Operating Expenses - Charitable Contributions**  
**Test Year Ended December 31, 2004**

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u> (1) \$
1	Charitable Contributions Made During The Test Year	<u>(147,271)</u>
2	Charitable Contributions Adjustment	<u>(147,271)</u>

**Bay State Gas Company**  
**Adjustment To Operating Expenses - Amortization of Deferred Farm Discount Credits**  
**Test Year Ended December 31, 2004**

<u>Line No.</u>	<u>Year</u>	<u>Discounts</u> (1) \$	<u>Reference</u> (2)
1	2000	14,256	WP-JES-6,Page 29, Ln. 13
2	2001	28,240	WP-JES-6,Page 29, Ln. 26
3	2002	20,618	WP-JES-6,Page 29, Ln. 39
4	2003	4,951	WP-JES-6,Page 29, Ln. 52
5	2004	<u>8,535</u>	WP-JES-6,Page 29, Ln. 65
6	Total Farm Sales	76,600	
7	Amortization (PBR Period)	<u>5 years</u>	
8	Adjustment for Farm Sales	<u>15,320</u>	

Bay State Gas Company  
 Adjustment To Operating Expenses - Postage  
 Test Year Ended December 31, 2004

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1) \$	<u>Reference</u> (2)
1	Current Postage Rate	0.37	WP-JES-6. Page 30
2	Proposed Postage Rate	<u>0.39</u>	WP-JES-6. Page 30
3	Increase (Line 2 minus Line 1)	0.02	WP-JES-6. Page 30
4	Percent of Increase (Line 3 / Line 1)	5.41%	WP-JES-6. Page 30
5	Test Year Postage Expense	<u>1,255,946</u>	
6	Adjustment (Line 5 x Line 4)	<u>67,947</u>	

**Bay State Gas Company**  
**Adjustment To Operating Expenses - Research & Development Cost Related to GTI Activity**  
**Test Year Ended December 31, 2004**

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u> <u>(1)</u> <u>\$</u>
1	R&D Costs Related to Environmental Issues Consortium ("EIC") - Linking	
2	MGP Fuels to MGP By-Products With Stable C and H2 Isotopes	0
3	R&D Costs Related to Operations Technology Development ("OTD") Program	<u>0</u>
4	Total GTI Adjustment	<u><u>0</u></u>

Witness: Skirtich  
D. T. E. 05-27  
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Bay State Gas Company  
Adjustment To Operating Expenses - Itron Lease Payment  
Test Year Ended December 31, 2004

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Monthly</u> <u>Payment</u> (1) \$
1	Lease Payment Associated with Itron Meter Reading	
2	Devices Sold in December, 2004 and Leased Back	25,842
3	Monthly Payments	<u>12</u>
4	Adjustment for Itron Lease Payment	<u>310,104</u>



Witness: Skirtich  
 D. T. E. 05-27  
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 Schedule JES - 6  
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**Bay State Gas Company**  
**Adjustment To Operating Expenses - Metscan Meter Reading Lease Payments**  
**Test Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Lease Payment Amount</u> \$	<u>Months</u>	<u>Lease Payment</u> \$
1	Lease Schedule No. 31946-00016	191,099	12	(2,293,188)
2	Lease Schedule No. 31946-00018	40,939	12	(491,263)
3	Lease Schedule No. 31946-00022	9,615	3	(28,846)
4	Lease Schedule No. 31946-00022	11,751	9	(105,755)
5	Metscan Lease Payment			(2,919,051)
6	Accumulated Late Charges 1/			(22,085)
7	Total Metscan Lease Payment & Accumulated Late Charges			(2,941,136)

1/ Represents Metscan and Itron accumulated late charges booked to account 931-02,  
 see Record Request RR-AG-93.

Witness: Skirtich  
D. T. E. 05-27  
Exh. BSG/JES-1  
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Bay State Gas Company  
Adjustment To Operating Expenses - CGA & LDAC Recoverable Costs  
Test Year Ended December 31, 2004

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u> <u>(1)</u> <u>\$</u>
1	Bad Debt Write-offs Included in CGA	(5,290,135)
2	DSM Implementation	(2,418,260)
3	ERC Remediation	(1,210,869)
4	Customer Choice	65,832
5	Unbilled Related to LDAC Expense	<u>(373,735)</u>
6	Total	(9,227,167)
7	Total CGA & LDAC Recoverable O&M Costs Adjustment	<u>(9,227,167)</u>

**Bay State Gas Company**  
**Adjustment To Operating Expenses - Inflation Adjustment**  
**Test Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1) \$	<u>Reference</u> (2)
1	Test Year O&M Expense Per Books	99,007,484	Sch. JES - 1
2	Less:		
3	Payroll - Union & Non-Union	23,435,368	
4	Incentive Compensation	124,422	Sch. JES - 6, Page 3, Ln 5
5	Pensions	2,700,563	Exh. BSG/JES-4, Ln 10
6	PBOP	2,325,888	Exh. BSG/JES-4, Ln 22
7	Employee Benefits All Other	3,428,461	
8	Insurance Expense	2,164,625	Sch. JES - 6, Page 5, Ln 11
9	Self Insurance Claims	397,749	
10	Bad Debt Expense - Gas Revenue	3,199,694	Sch. JES - 6, Page 9, Ln 12
11	Bad Debt Expense - EP&S	412,767	Sch. JES - 6, Page 10, Ln 10
12	NiSource Corporate Services: Payroll Per Books	10,499,278	WP JES -6, Page 28, Ln 13
13	NiSource Corporate Services: Medical & Dental	1,231,237	WP JES -6, Page 31, Ln 26
14	NiSource Corporate Services: Pension Expense	482,106	WP JES -6, Page 31, Ln 13
15	NiSource Corporate Services: POP Expense	121,725	WP JES -6, Page 31, Ln 13
16	NiSource Corporate Services: Payroll / FICA	744,396	WP JES -6, Page 31, Ln 13
17	NiSource Corporate Services: Charitable Contributions	8,735	WP JES -6, Page 27, Ln 20
18	Charitable Contributions	147,271	Sch. JES - 6, Page 12, Ln 2
19	Postage	1,255,946	Sch. JES - 6, Page 14, Ln 5
20	Metscan Meter Reading Lease Payments	2,919,051	Sch. JES - 6, Page 17, Ln 5
21	CGA & LDAC Recoverable Costs	<u>9,227,167</u>	Sch. JES - 6, Page 18, Ln 7
22	Total Test Year Amounts (Lines 3 thru 19)	64,826,449	
23	Residual O&M Expenses Subject to Inflation (Line 1 Minus Line 20)	34,181,035	
24	Increase in GDPIPD from Midpoint of the Test Year		
25	to the Midpoint of the Rate Year	<u>4.31%</u>	
26	Total Inflation Adjustment	<u>1,473,203</u>	

Bay State Gas Company  
Adjustment To Operating Expenses - Inflation Increase In GDPIPD  
Test Year Ended December 31, 2004

<u>Line No.</u>	<u>Description</u>	<u>Factor (1) %</u>
1	<u>Calculation of Inflation Rate</u>	
2	GDPIPD Index - Midpoint of Test Year 2004	1.0809
3	GDPIPD Index - Midpoint of Rate Year 2006	1.1275
4	Inflation Factor % (Line 3 divided by Line 2 Less 100%)	4.31%

Source for GDPIPD Index is Global Insight

Witness: Skirtich  
D. T. E. 05-27  
Exh. BSG/JES-1  
Schedule JES - 7  
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Bay State Gas Company  
Depreciation Expense Summary  
Test Year Ended December 31, 2004

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1) \$	<u>Reference</u> (2)
1	Depreciation Expense Annualized	4,661,535	Sch. JES - 7, Page 2, Ln 5
2	Completed Construction In Service		
3	Not Included In Account 101	<u>22,864</u>	Sch. JES - 7, Page 4, Ln 2
4	Depreciation Expense Summary	<u>4,684,399</u>	

Bay State Gas Company  
 Depreciation Expense Annualization  
 Test Year Ended December 31, 2004

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1) \$	<u>Reference</u> (2)
1	Annualized Depreciation on Year End Utility Plant	28,841,454	Sch. JES - 7, Page 3, Ln 47
2	Less: Test Year 2004 Depreciation (Account 403)	<u>24,126,707</u>	
3	Depreciation Adjustment	4,714,746	
4	Less: Portion Allocated to Northern Utilities	<u>53,211</u>	WP-JES-7, Page 1, Ln 27
5	Annualized Depreciation Adjustment	<u>4,661,535</u>	

**Bay State Gas Company**  
**Depreciation Expense Annualized - 2004 Depreciation Accrual Rates &**  
**Depreciation Expense by Plant Account**  
**Test Year Ended December 31, 2004**

Line No.	Description	Gas Plant Account (1)	Accumulated Plant (2) \$	Accrual Rate (3) %	Accumulated Expense (4) \$
1	<b>PRODUCTION PLANT</b>				
2	Structures and Improvements	305	2,368,951	3.06	72,490
3	Liquefied Petroleum Gas Equipment	311	4,339,415	1.85	80,279
4	Other Equipment	320	819,245	7.46	61,116
5	LNG Equipment	321	15,428,067	3.61	556,953
6	<b>TRANSMISSION AND DISTRIBUTION PLANT</b>				
7	Rights of Way	365	79,051	2.18	1,723
8	Structures and Improvements	366	2,108,612	3.10	65,367
9	Mains:				
10	Cathodic Protection	367	8,274,626	7.55	624,734
11	Plastic	367	126,075,826	2.17	2,735,845
12	Coated Steel	367	146,116,729	2.53	3,696,753
13	Cast Iron	367	5,690,941	2.41	137,152
14	Joint Seal	367	20,020,721	6.42	1,285,330
15	Bare Steel	367	<u>2,554,359</u>	4.74	<u>121,077</u>
16	Total		308,733,201		8,600,891
17	Compressor Station Equipment	368	327,265	5.14	16,821
18	Measuring & Regulating Station Equipment	369	12,355,156	2.71	334,825
19	Other Equipment	379	510,252	2.64	13,471
20	Services	380	228,746,364	5.08	11,620,315
21	Meters	381	24,915,974	3.96	986,673
22	Meter Installations	382	45,198,411	3.34	1,509,627
23	House Regulators	383	13,612,047	4.06	552,649
24	<b>Other Property on Customer's Premise:</b>				
25	Conversion Burners	386	7,835,153	4.16	325,942
26	Water Heaters	386	14,053,382	7.06	992,169
27	Boilers	386	<u>569,752</u>	7.06	<u>40,224</u>
28	Total		22,458,288		1,358,336
29	Other Equipment	387	1,719,559	14.91	256,386
30	<b>GENERAL PLANT</b>				
31	Structures and Improvements	390	7,303,824	2.10	153,380
32	<b>Office Furniture and Equipment:</b>				
33	Office Furniture Equipment	391	6,468,086	4.76	307,881
34	Computer Equipment	391	<u>4,952,273</u>	20.33	<u>1,006,797</u>
35	Total		11,420,359		1,314,678
36	Transportation Equipment	392	2,363,594	13.87	327,830
37	Stores Equipment	393	50,473	11.41	5,759
38	Tools, Shop, and Garage Equipment	394	1,847,938	4.41	81,494
39	Power Operated Equipment	396	406,425	12.21	49,624
40	<b>Communication Equipment</b>				
41	Other Communication Equipment	397	7,400,315	6.80	503,221
42	Communication Equipment - ERT/ITRON	397	2,248,171	7.14	160,519
43	Metscan	397	<u>644,449</u>	24.17	<u>155,763</u>
44	Metscan - Pro- forma Retirement	397	<u>5,266,582</u>	0.00	<u>0</u>
45	Total		15,559,518		819,504
46	Miscellaneous Equipment	398	<u>25,220</u>	5.00	<u>1,261</u>
47	Annualized Depreciation on Year End Utility Plant		722,697,205		<u>28,841,454</u>

Witness: Skirtich  
 D. T. E. 05-27  
 Exh. BSG/JES-1  
 Schedule JES - 7  
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 [Revision 1]

**Bay State Gas Company**  
**Depreciation Expense - Completed Construction In Service**  
**Test Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Gas Plant Account</u> (1)	<u>Accumulated Plant</u> (2) \$	<u>Accrual Rate</u> (3) %	<u>Accumulated Expense</u> (4 = 2 x 3) \$	<u>Reference</u> (5) \$
1	Mains:					
2	Plastic	367	1,053,621	2.17	22,864	WP-JES 7, Page 2, Ln 20



Witness:Skirtich  
D. T. E. 05-27  
Exh. BSG/JES-1  
Schedule JES - 8  
Page 1 of 3  
[Revision 1]

Bay State Gas Company  
Amortization of Utility Plant - Summary  
Test Year Ended December 31, 2004

<u>Line No.</u>	<u>Description</u>	<u>2004 Amount</u> (1) \$	<u>Reference</u> (2)
1	Amortization of Goodwill	(11,127,204)	Sch JES - 8, Page 2, Ln 3
2	Amortization of Metscan Meter Reading Devices	<u>2,722,511</u>	Sch JES - 8, Page 3, Ln 7
3	Total Amortization Adjustment	<u>(8,404,693)</u>	

Witness:Skirtich  
D. T. E. 05-27  
Exh. BSG/JES-1  
Schedule JES - 8  
Page 2 of 3  
[Revision 1]

Bay State Gas Company  
Amortization of Utility Plant - Goodwill  
Test Year Ended December 31, 2004

<u>Line No.</u>	<u>Description</u>	<u>2004 Amount</u> (1) \$
1	Amortization of Bay State/Nipsco Goodwill	(11,027,252)
2	Amortization Lawrence Goodwill	<u>(99,952)</u>
3	Amortization Adjustment	<u>(11,127,204)</u>

**Bay State Gas Company**  
**Amortization of Utility Plant - Metscan Meter Reading Devices**  
**Test Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1) (\$)	<u>Reference</u> (2)
1	Retirement of Capital:		
2	March-05	3,121,366	
3	Leases:		
4	Fleet Operating Lease (2004 to 2009)	10,491,191	WP-JES-8, Page 1, Ln 6
5	Total Cost	13,612,557	
6	Amortization Period	<u>5</u>	
7	Annual Amortization	<u>2,722,511</u>	

Witness: Skirtich  
D. T. E. 05-27  
Exh. BSG/JES-1  
Schedule JES - 9  
Page 1 of 4  
[Revision 1]

Bay State Gas Company  
Taxes Other Than Income Summary  
Test Year Ended December 31, 2004

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1) \$	<u>Reference</u> (2)
1	Annualized Property Tax Adjustment	196,808	Sch. JES - 9, Page 2, Ln 6
2	Payroll Tax Adjustment	<u>94,670</u>	Sch. JES - 9, Page 4, Ln 7
3	Taxes Other Than Income Summary	<u>291,478</u>	

**Bay State Gas Company**  
**Adjustment To Taxes Other Than Income - Property Taxes**  
**Test Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1) \$	<u>Reference</u> (2)
1	Annualized Property Taxes	7,292,120	Sch. JES - 9, Page 3, Ln 39
2	Less: Property Tax Expense in 2004	<u>7,071,744</u>	
3	Property Tax Adjustment	220,376	
4	Less: Portion Allocated to Northern Utilities		
5	Pursuant to Building Cost Allocations	1,031	WP-JES-9, Page 1, Ln 27
6	Less: Non-Utility Property Taxes	<u>22,538</u>	Data Request DTE-1-5
7	Annualized Property Tax Adjustment	<u>196,808</u>	

Bay State Gas Company  
Adjustment To Taxes Other Than Income - Property Tax Expense  
Test Year Ended December 31, 2004  
Property Taxes 7/01/04-6/30/05

Line No.	COMMUNITY (1)	ASSESSMENT (2) \$	RATE (3)	TOTAL TAX (4) \$	COMMUNITY (5)	ASSESSMENT (6) \$	RATE (7)	TOTAL TAX (8) \$
1	ABINGTON	14,800	0.010810	160	MIDDLEBORO	427,500	0.012140	5,190
2	AGAWAM	7,991,630	0.027730	221,744	MILLIS	1,150,870	0.011600	13,350
3	ANDOVER	10,012,860	0.018000	180,231	MONSON	5,362,200	0.013010	69,762
4	ATTLEBORO	8,550,746	0.016570	141,686	NORFOLK	451,170	0.012500	5,640
5	AVON	2,232,280	0.020750	46,320	NORTH ANDOVER	7,099,960	0.012590	89,389
6	BELLINGHAM	1,970,713	0.014470	28,516	NORTHAMPTON	9,341,680	0.012850	120,041
7	BERKLEY	102,120	0.007820	799	NORTON	3,892,890	0.010720	41,732
8	BRIDGEWATER	4,607,900	0.009760	44,973	NORWELL	1,923,650	0.010600	20,391
9	BROCKTON	32,778,040	0.021400	701,450	PALMER	1,954,350	0.015880	31,035
10	BROCKTON	103,600	0.010620	1,100	PALMER	1,592,530	0.016270	25,910
11	CANTON	6,696,700	0.020020	134,068	PALMER	530,850	0.016410	8,711
12	CHICOPEE	12,647,560	0.032490	410,919	PALMER	1,327,110	0.016090	21,353
13	DIGHTON	731,770	0.022541	16,495	PEMBROKE	3,689,600	0.010060	37,117
14	DOVER	99,560	0.008440	840	PLYMPTON	338,337	0.012520	4,236
15	DUXBURY	2,825,460	0.010140	28,650	RANDOLPH	5,694,620	0.019060	108,539
16	EAST BRIDGEWATER	2,679,350	0.011030	29,553	RAYNHAM	2,404,800	0.013420	32,272
17	EASTHAMPTON	3,408,030	0.012310	41,953	RAYNHAM	1,232,300	0.001300	1,602
18	EAST LONGMEADOW	4,795,350	0.016900	81,041	RAYNHAM	1,172,500	0.000540	633
19	EASTON	11,571,360	0.010690	125,595	REHOBOTH	349,248	0.008860	3,094
20	FOXBORO	5,039,690	0.010930	55,084	SCITUATE	4,703,500	0.009480	44,589
21	FRANKLIN	8,887,400	0.009170	81,497	SEEKONK	3,651,348	0.023500	85,807
22	GRANBY	399,900	0.013680	5,471	SHARON	6,174,600	0.015580	96,200
23	HALIFAX	950,900	0.011600	11,030	SOUTH HADLEY	1,578,529	0.016300	25,730
24	HAMPDEN	1,063,290	0.015620	16,609	SOUTH HADLEY	3,204,891	0.016390	52,528
25	HANOVER	2,843,060	0.010890	30,961	SOUTHWICK	1,232,719	0.014710	18,133
26	HANSON	2,161,700	0.010220	22,093	SPRINGFIELD	46,242,190	0.033360	1,542,639
27	HAVERHILL	200,200	0.018880	3,780	SPRINGFIELD	43,100	0.005012	216
28	HOLBROOK	2,883,440	0.022780	65,685	STOUGHTON	6,375,310	0.020220	128,909
29	LAKEVILLE	705,600	0.009140	6,449	TAUNTON	14,859,410	0.018100	268,955
30	LAWRENCE	16,937,870	0.023530	398,548	TAUNTON	15,700	0.008640	136
31	LONGMEADOW	4,112,210	0.017120	70,401	WALPOLE	5,515,410	0.014220	78,429
32	LUDLOW	18,576,670	0.014960	277,907	WARREN	23,080	0.014730	340
33	MANSFIELD	5,820,250	0.011760	68,446	WESTBOROUGH	9,529,500	0.014370	136,939
34	MARSHFIELD	6,838,340	0.008650	59,298	WEST BRIDGEWATER	2,193,500	0.017150	37,619
35	MEDFIELD	2,841,410	0.012920	36,711	WEST SPRINGFIELD	9,299,874	0.031200	290,156
36	MEDWAY	3,507,770	0.014230	49,916	WILBRAHAM	4,694,647	0.016960	79,621
37	MENDON	207,786	0.009800	2,036	WRENTHAM	2,189,160	0.013650	29,882
38	METHUEN	12,951,840	0.018320	237,278				
39					Total	382,211,788		7,292,120

**Bay State Gas Company**  
**Adjustment To Taxes Other Than Income - Payroll Taxes**  
**Test Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Taxable for Social Security</u> (1) \$	<u>Taxable for Medicare</u> (2) \$	<u>Total</u> (3) \$	<u>Reference</u>
1	2004 Bay State Gas Taxable Payroll	34,630,188	35,795,141		
2	Percent of Total Taxable	96.75%	100.00%		
3	Tax Rates	6.20%	1.45%		
4	Bay State Payroll Adjustment	1,625,699	1,680,387	1,680,387	Sch. JES -6, Page 2, Ln 26, Cols 1 & 2
5	Payroll Tax Change (line 3 * line 4)	100,793	24,366	125,159	
6	Expense Percentage	75.64%	75.64%		
7	Payroll Tax Adjustment (line 5 * line 6)	<u>76,240</u>	<u>18,430</u>	<u>94,670</u>	

Witness: Skirtich  
D. T. E. 05-27  
Exh. BSG/JES-1  
Schedule JES - 10  
[Revision 1]

Bay State Gas Company  
Adjustment To Interest on Customer Deposits  
Test Year Ended December 31, 2004

<u>Line No.</u>	<u>Description</u>	<u>Amount (1) \$</u>	<u>Reference (2)</u>
1	Customer Deposit Balance at December 31, 2004	3,046,489	
2	Interest rate to be applied in 2005 per Department	<u>2.38%</u>	WP-JES-10, Page 1
3	Interest on Customer Deposits	<u>72,506</u>	



Witness: Skirtich  
D. T. E. 05-27  
Exh. BSG/JES-1  
Schedule JES - 11  
[Revision 1]

Bay State Gas Company  
Computation of Federal Income and Massachusetts State Franchise Taxes  
Test Year Ended December 31, 2004

Line No.	Description	Reference (1)	Detail (2)	Adjusted Before Rate Increase (3) \$	Proposed Rate Increase (4) \$	After Rate Increase (5) \$
1	Operating Income Before Income Taxes	Sch. JES - 1		30,320,157	21,207,177	51,527,334
2	Less: Interest Costs					
3	Rate Base	Sch. JES - 13, Page 1, Ln 19	397,099,434			
4	Weighted Cost of Debt	Sch. JES - 12, Ln 1	2.82%	11,198,204	0	11,198,204
5	Net Income			19,121,953	21,207,177	40,329,130
6	Massachusetts State Franchise Tax		6.50%	1,242,927	1,378,467	2,621,394
7	Federal Taxable Income			17,879,026	19,828,710	37,707,736
8	Federal Income Tax Rate		35.00%	6,257,659	6,940,049	13,197,708
9	Amortization of Deferred Income Taxes Deficiency Amount Approved at DPU 92-11	WP JES - 11, Page 1, Ln 29	174,017			
10	Update for 1% Federal Income Tax Increase	WP JES - 11, Page 1, Ln 29	89,587	263,604	0	263,604
11	Less Amortization of Investment Tax Credit			(373,740)	0	(373,740)
12	Net Federal Income and Massachusetts State Franchise Tax (Lines 6, 8, 10, & 11)			7,390,450	8,318,516	15,708,966

Witness: Skirtich  
D. T. E. 05-27  
Exh. BSG/JES-1  
Schedule JES - 12  
[Revision 1]

Bay State Gas Company  
Return on Rate Base and Capital Structure Summary  
Test Year Ended December 31, 2004

Line No.	Description	Capital Structure Percentage (1)	Cost (2)	Weighted Cost (3 = 1 x 2)	Reference
1	Long Term Debt	46.05%	6.12%	2.82%	Exhibit BSG/PRM-2 Schedule PRM-1, Page 1
2	Common Equity	53.95%	11.50%	6.20%	Exhibit BSG/PRM-2 Schedule PRM-1, Page 1
3	Total Capitalization	100.00%		9.02%	

Bay State Gas Company  
Rate Base Summary  
Test Year Ended December 31, 2004

Line No.	Description	Per Books (1) \$	Adjustments (2) \$	Adjusted Books (3 = 1 + 2) \$	Reference (4)
1	<u>Additions</u>				
2	Total Utility Plant (Annual Return Page 18)	1,212,056,778	(451,173,568)	760,883,211	Sch. JES-13, Page 2, Ln 4, Page 3, Ln 3
3	Prepayments - Acct 165	0	0	0	
4	Cash Working Capital	11,449,225	(2,806)	11,446,419	Sch. JES - 14, Ln 4
5	Material & Supplies	3,640,535	(232,466)	3,408,069	Sch. JES - 15, Ln 17
6	Total Additions	1,227,146,539	(451,408,840)	775,737,699	
7	<u>Deductions</u>				
8	Work in Progress (Annual Return Page 18) - Acct 107	7,385,734	(1,053,621)	6,332,113	Sch. JES - 13, Page 4, Ln 3
9	Plant Held for Future Use (Annual Return Page 18) - Acct 105	0	0	0	
10	Reserves:				
11	Deferred Taxes - Accounts 188, 268	86,081,290	(558,752)	85,522,538	Sch. JES - 13, Page 3, Ln 9
12	Depreciation (Annual Return Page 13) - Acct 254	266,210,015	(2,145,215)	264,064,800	Sch. JES - 13, Page 3, Ln 6
13	Amortization of Intangible Plant (Annual Return Page 13) - Acct 257	89,869,431	(70,541,969)	19,327,463	Sch. JES - 13, Page 2, Ln 8
14	Unamortized Pre-1971 ITC (Annual Return Page 33) - Acct 253	11,170		11,170	WP-JES-13, Page 1, Ln 53
15	Customer Advances (Annual Return Page 9) - Acct 252-02	11,088	0	11,088	
16	Customer Deposits (Annual Return Page 9) - Acct 235	3,090,784	0	3,090,784	
17	Unclaimed Checks - Account 232-05	278,310	0	278,310	
18	Total Deductions	452,937,821	(74,299,557)	378,638,265	
19	Total Rate Base	774,208,717	(377,109,283)	397,099,434	

Witness: Skirtich  
D. T. E. 05-27  
Exh. BSG/JES-1  
Schedule JES - 13  
Page 2 of 4  
[Revision 1]

**Bay State Gas Company**  
**Adjustments to Rate Base - Bay State/NIPSCO & Lawrence Goodwill**  
**Test Year Ended December 31, 2004**

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Per Books</u> <u>(1)</u> <u>\$</u>
1	<u>Adjustments to Utility Plant:</u>	
2	Organization (Bay State/NIPSCO Goodwill)	(442,163,257)
3	Organization (Lawrence Goodwill)	<u>(3,743,730)</u>
4	Total Adjustment to Utility Plant	<u>(445,906,987)</u>
5	<u>Adjustment to Amortization of Intangible Plant:</u>	
6	Organization (Bay State/NIPSCO Goodwill)	(67,605,214)
7	Organization (Lawrence Goodwill)	<u>(2,936,755)</u>
8	Total Adjustment to Amortization Reserve	<u>(70,541,969)</u>

**Bay State Gas Company**  
**Adjustments to Rate Base - Elimination of Metscan Meter Reading Devices**  
**Test Year Ended December 31, 2004**

<u>Line No.</u>	<u>Description</u>	<u>Per Books</u> (1) \$	<u>Reference</u> (2)
1	<u>Adjustments to Utility Plant:</u>		
2	Account 397 Communications Equipment - Metscan	<u>(5,266,581)</u>	WP-JES - 13, Page 2, Ln 53
3	Total Adjustment to Utility Plant	<u>(5,266,581)</u>	
4	<u>Adjustment to Depreciation Reserve</u>		
5	Account 254 Accumulated Depreciation	<u>(2,145,215)</u>	WP-JES - 13, Page 2, Ln 53
6	Total Adjustment to Amortization Reserve	<u>(2,145,215)</u>	
7	<u>Adjustment to Deferred Taxes</u>		
8	Deferred Taxes - Accounts 188, 268	<u>(558,752)</u>	WP-JES - 13, Page 2, Ln 53
9	Total Adjustment to Deferred Taxes	<u>(558,752)</u>	

Bay State Gas Company  
 Adjustment to Rate Base - Completed Construction In Service  
 Not Included in Account 101  
 Test Year Ended December 31, 2004

Line No.	Description	Amount (1) \$	Reference (2)
1	<u>Construction Work In Progress:</u>		
2	Less: Work In Progress Account 107 Transferred to Utility Plant Account 101	<u>(1,053,621)</u>	WP JES - 7, Page 2, Ln 20
3	Additional Adjustment to Rate Base	<u>(1,053,621)</u>	

Witness: Skirtich  
D. T. E. 05-27  
Exh. BSG/JES-1  
Schedule JES - 14  
[Revision 1]

Bay State Gas Company  
Adjustments to Rate Base - Allowance for Other O&M Cash Working Capital  
Test Year Ended December 31, 2004

Line No.	Description	Per Books (1) \$	Adjustment (2) \$	Total (3) \$	Reference (4)
1	<u>Cash Working Capital Components</u>				
2	O&M Expenses	99,007,484	(24,268)	98,983,216	Schedule JES - 1
3	Cash Working Capital Factor for Other O&M Expense	<u>11.564%</u>	<u>11.564%</u>	<u>11.564%</u>	Exh. BSG/JES - 2
4	Cash Working Capital Adjustment	11,449,225	(2,806)	<u>11,446,419</u>	

Witness:Skirtich  
D. T. E. 05-27  
Exh. BSG/JES-1  
Schedule JES - 15  
[Revision 1]

Bay State Gas Company  
Adjustments to Rate Base - Materials & Supplies Inventory  
Test Year Ended December 31, 2004

<u>Line</u> <u>No.</u>	<u>Month</u>	<u>Amount</u> (1) \$
1	December, 2003	3,075,595
2	January, 2004	3,213,840
3	February	3,364,811
4	March	3,504,333
5	April	3,356,876
6	May	3,187,623
7	June	3,236,405
8	July	3,559,647
9	August	3,634,441
10	September	3,552,015
11	October	3,537,935
12	November	3,440,834
13	December, 2004	<u>3,640,535</u>
14	Total	44,304,892
15	13 Month Average	3,408,069
16	Balance @ December 31, 2004 (DTE Return Page 24)	<u>3,640,535</u>
17	Total Rate Base Adjustment	<u>(232,466)</u>



**Department Schedule 1**

**Revenue Requirement Calculation**

Line No.	Description	Per Company		
		As Filed	Adjustments	Revision 1
		(1)	(2)	(3 = 2 + 1)
1	Cost of Service			
2	Cost of Gas	307,478,651	0	307,478,651
3	O & M Expense	<u>99,528,001</u>	<u>(78,812)</u>	<u>99,449,189</u>
4	Total O & M Expense	407,006,652	(78,812)	406,927,840
5	Depreciation Expense	28,800,958	10,148	28,811,106
6	Amortization Expense	6,552,895	79,161	6,632,056
7	Taxes Other Than Income Taxes	10,067,165	(110,345)	9,956,820
8	Income Taxes	16,082,993	(287)	16,082,706
9	Interest on Customer Deposits	72,506	0	72,506
10	Amortization of ITC	(373,740)	0	(373,740)
11	Return on Rate Base	<u>35,938,149</u>	<u>(119,782)</u>	<u>35,818,368</u>
12	Total Cost of Service	504,147,579	(219,917)	503,927,662
13	Operating Revenues	510,457,335	0	510,457,335
14	Revenue Adjustments	<u>(28,548,082)</u>	<u>345,259</u>	<u>(28,202,823)</u>
15	Total Operating Revenues	481,909,253	345,259	482,254,512
16	Revenue Deficiency	<u>22,238,326</u>	<u>(565,176)</u>	<u>21,673,150</u>
17	Total Increase in Revenues			
18	as of December 1, 2004	<u>22,238,326</u>	<u>(565,176)</u>	<u>21,673,150</u>

Department Schedule 2

Operation and Maintenance  
Expenses

Line No.	Description	Per Company			Reference
		As Filed (1)	Adjustments (2)	Revision 1 (3 = 2 + 1)	
1	Purchased Gas Expense	323,863,512	0	323,863,512	Sch. JES - 1
2	Other O&M Expense	99,007,484	0	99,007,484	Sch. JES - 1
3	O&M Expense Per Books - Plus Proposed Rate Increase	422,870,996	0	422,870,996	
4	Adjustments To Purchased Gas Expense:				
5	Gas Cost Adjustment	(16,384,861)	0	(16,384,861)	Sch. JAF - 1
6	Total Adj. To Purchased Gas Expense	(16,384,861)	0	(16,384,861)	
7	Adjustments To Other O&M Expense				
8	Payroll Adjustment - Union	1,173,418	52,656	1,226,074	Sch. JES - 6, Page 2 of 20
9	Payroll Adjustment - Non-Union	443,840	10,473	454,313	Sch. JES - 6, Page 2 of 20
10	Incentive Compensation	(124,422)	0	(124,422)	Sch. JES - 6, Page 3 of 20
11	Medical & Dental Insurance	741,045	0	741,045	Sch. JES - 6, Page 4 of 20
12	Property and Liability Insurance Expense	94,997	(170,113)	(75,116)	Sch. JES - 6, Page 5 of 20
13	Self Insurance Claims	80,021	62,945	142,966	Sch. JES - 6, Page 6 of 20
14	Gain on Sale of Property	(408,197)	0	(408,197)	Sch. JES - 6, Page 7 of 20
15	Rate Case Expense	331,700	158,345	490,045	Sch. JES - 6, Page 8 of 20
16	Bad Debt Expense - Gas Revenue	7,106,032	(86,279)	7,019,753	Sch. JES - 6, Page 9 of 20
17	Bad Debt Expense - EP&S	246,232	0	246,232	Sch. JES - 6, Page 10 of 20
18	NiSource Corporate Services Company	748,122	(36,084)	712,038	Sch. JES - 6, Page 11 of 20
19	Charitable Contributions	(147,271)	0	(147,271)	Sch. JES - 6, Page 12 of 20
20	Amortization of Deferred Farm Discount Credits	15,320	0	15,320	Sch. JES - 6, Page 13 of 20
21	Postage	67,947	0	67,947	Sch. JES - 6, Page 14 of 20
22	Research and Development Costs Related to GTI	310,000	(310,000)	0	Sch. JES - 6, Page 15 of 20
23	Itron Lease Payment	310,104	0	310,104	Sch. JES - 6, Page 16 of 20
24	Metscan Meter Reading Lease Payment	(2,919,051)	(22,085)	(2,941,136)	Sch. JES - 6, Page 17 of 20
25	CGA & LDAC Recoverable Costs	(9,227,167)	0	(9,227,167)	Sch. JES - 6, Page 18 of 20
26	Inflation Adjustment	1,195,274	277,929	1,473,203	Sch. JES - 6, Page 19 of 20
27	Total Adjustment to Other O&M Expense	37,945	(62,213)	(24,268)	
28	Adjusted Total O&M Expense	406,524,080	(62,213)	406,461,867	
29	Other O&M Expense - Proposed Rate Increase	482,572	(16,599)	465,973	Sch. JES - 1

Department Schedule 3

Depreciation and Amortization  
Expenses

Line No.	Description	Per Company			Reference
		As Filed	Adjustments	Revision 1	
		(1)	(2)	(3 = 2 + 1)	(4)
1	Depreciation Expense	28,800,958	10,148	28,811,106	Sch. JES - 1
2	Amortization Expense	6,552,895	79,161	6,632,056	Sch. JES - 1
3	Total Depreciation & Amort. Exp.	35,353,853	89,309	35,443,162	

Department Schedule 4

Rate Base and Return  
On Rate Base

Line No.	Description	Per Company			Reference
		As Filed	Adjustments	Revision 1	
		(1)	(2)	(3 = 2 + 1)	(4)
1	Utility Plant in Service	760,883,211	0	760,883,211	Sch. JES - 13, Page 1
2	Less:				
3	Reserve For Depreciation	264,064,800	0	264,064,800	Sch. JES - 13, Page 1
4	Amortization of Intangible Plant	<u>19,327,463</u>	<u>0</u>	<u>19,327,463</u>	Sch. JES - 13, Page 1
5	Net Utility Plant in Service	477,490,948	0	477,490,948	
6	Additions To Plant:				
7	Cash Working Capital	11,453,613	(7,194)	11,446,419	Sch. JES - 13, Page 1
8	Materials & Supplies	<u>3,408,069</u>	<u>0</u>	<u>3,408,069</u>	Sch. JES - 13, Page 1
9	Total Additions to Plant	14,861,682	(7,194)	14,854,488	
10	Deductions From Plant:				
11	Work in Progress	6,332,113	0	6,332,113	Sch. JES - 13, Page 1
12	Plant Held for Future Use	0	0	0	
13	Reserve for Deferred Inc. Taxes	85,522,538	0	85,522,538	Sch. JES - 13, Page 1
14	Unamortized ITC-Pre1971	11,170	0	11,170	Sch. JES - 13, Page 1
15	Customer Advances	11,088	0	11,088	Sch. JES - 13, Page 1
16	Customer Deposits	3,090,784	0	3,090,784	Sch. JES - 13, Page 1
17	Unclaimed Funds	<u>278,310</u>	<u>0</u>	<u>278,310</u>	Sch. JES - 13, Page 1
18	Total Deductions from Plant	95,246,002	0	95,246,002	
19	Rate Base	397,106,628	(7,194)	397,099,434	Sch. JES - 13, Page 1
20	Cost of Capital	<u>9.05%</u>	<u>(0)</u>	<u>9.02%</u>	Sch. JES - 12
21	Return On Rate Base	35,938,150	(119,782)	35,818,368	

Department Schedule 5

Cost of Capital

Line No.	Description	As Filed			
		(1)	(2)	(3)	(4)
		<u>Principal</u>	<u>Percentage</u>	<u>Cost</u>	<u>Rate of Return</u>
1	Long-Term Debt	183,500,000	46.05%	6.18%	11,340,300
2	Preferred Stock	0	0.00%	0.00%	0
3	Common Equity	214,940,703	53.95%	11.50%	24,718,181
4	Total Capital	398,440,703	100.00%		36,058,481
5	Weighted Cost of				
6	Debt	2.85%			
7	Preferred Stock	0.00%			
8	Common Equity	6.20%			
9	Cost of Capital	9.05%			

Revision 1  
Per Company

	Description	Revision 1 Per Company			
		(1)	(2)	(3)	(4)
		<u>Principal</u>	<u>Percentage</u>	<u>Cost</u>	<u>Rate of Return</u>
10	Long-Term Debt	183,500,000	46.05%	6.12%	11,230,200
11	Preferred Stock	0	0.00%	0.00%	0
12	Common Equity	214,940,703	53.95%	11.50%	24,718,181
13	Total Capital	398,440,703	100.00%		35,948,381
14	Weighted Cost of				
15	Debt	2.82%			
16	Preferred Stock	0.00%			
17	Common Equity	6.20%			
18	Cost of Capital	9.02%			

Department Schedule 6

Cash Working Capital

Line No.	Description	Per Company			Reference
		As Filed	Adjustments	Revision 1	
		(1)	(2)	(3 = 2 + 1)	(4)
1	Other O&M Expense	99,045,429	(62,213)	98,983,216	Sch. JES - 14
2	Total Amount Subject to				
3	Cash Working Capital Allowance	99,045,429	(62,213)	98,983,216	
4	Cash Working Capital Allowance	11,453,613	(7,194)	11,446,419	Sch. JES - 14
5	Composite Total times (41.17 / 365)	11.564%	0	11.564%	Exh. BSG/JES-2

Department Schedule 7

Taxes Other Than Income Taxes

Line No.	Description	Per Company			Reference
		As Filed	Adjustments	Revision 1	
		(1)	(2)	(3 = 2 + 1)	(4)
1	State Franchise	45,845	0	45,845	Annual Report
2	State Unemployment	460,779	0	460,779	Annual Report
3	Other State	12,791	0	12,791	Annual Report
4	Property Tax	7,382,453	(113,903)	7,268,551	Sch. JES - 9, Page 2, Ln 1 minus Lns 5, 6
5	Motor Vehicle Excise	16,856	0	16,856	Annual Report
6	FICA & Medicare (B)	2,085,843	3,558	2,089,400	Sch. JES - 9, Page 4, Annual Report
7	Federal Unemployment	26,314	0	26,314	Annual Report
8	Other Federal	<u>36,284</u>	<u>0</u>	<u>36,284</u>	Annual Report
9	Total Taxes Other Than Income	10,067,165	(110,345)	9,956,820	

Department Schedule 8

Income Taxes

Line No.	Description	Per Company			Reference
		As Filed	Adjustments	Revision 1	
		(1)	(2)	(3 = 2 + 1)	(4)
1	Rate Base	397,106,628	(7,194)	397,099,434	Sch. JES - 13, Page 1
2	Return on Rate Base	<u>35,938,149</u>	<u>(119,782)</u>	<u>35,818,368</u>	Sch. JES - 1
3	LESS:				
4	Interest Expense	<u>11,317,539</u>	<u>(119,335)</u>	<u>11,198,204</u>	Sch. JES - 11
5	Amortization of Deferred Income Taxes Deficiency	(263,604)	0	(263,604)	Sch. JES - 11
6	Amortization of Investment Tax Credit	<u>373,740</u>	<u>0</u>	<u>373,740</u>	Sch. JES - 11
7	Taxable Income Base	24,510,474	(447)	24,510,028	
8	Taxable Income				
9	(Taxable Income Base x 1.6454)	40,329,865	(735)	40,329,130	
10	Mass State Franchise Tax				
11	(6.5 Percent)	2,621,441	(47)	2,621,394	
12	Federal Taxable Income	37,708,424	(688)	37,707,736	
13	Federal Income Tax Calculated	13,197,948	(240)	13,197,708	
14	Total Income Taxes Calculated	15,819,389	(287)	15,819,102	
15	Amort of Deferred Income Taxes Deficiency	263,604	0	263,604	Sch. JES - 11
16	Amortization of Investment Tax Credit	<u>(373,740)</u>	<u>0</u>	<u>(373,740)</u>	Sch. JES - 11
17	Total Income Taxes	<u>15,709,253</u>	<u>(287)</u>	<u>15,708,966</u>	



Department Schedule 9

Revenues

Line No.	Description	Per Company			Reference
		As Filed (1)	Adjustments (2)	Revision 1 (3 = 2 + 1)	
1	Operating Revenues Per Books	510,457,335	0	510,457,335	Sch. JES - 1
2	Revenue Adjustments				
3	Annualized Revenue Adjustment	(13,670,060)	0	(13,670,060)	Sch. JES - 4
4	Residential Transportation of Gas	4,167	0	4,167	Sch. JES - 4
5	Comm/Industrial Transportation of Gas	(777,408)	404,852	(372,556)	Sch. JES - 4
6	Off System Sales	(3,874,467)	0	(3,874,467)	Sch. JES - 4
7	Gas Property Revenue	0	0	0	Sch. JES - 4
8	Rental Revenue	0	0	0	Sch. JES - 4
9	Guardian Care/Inspections	0	0	0	Sch. JES - 4
10	Lost Net Revenue	(329,961)	0	(329,961)	Sch. JES - 4
11	Late Payment Charges	0	0	0	Sch. JES - 4
12	Return Check Charge	0	0	0	Sch. JES - 4
13	Carrying Costs-Pre tax of Rate of Return	988,820	0	988,820	Sch. JES - 4
14	Production & Storage Revenues	8,085,135	0	8,085,135	Sch. JES - 4
15	Customer R&C Shut-off Turn-off	0	0	0	Sch. JES - 4
15	Elimination of Indirect GAF and DAF	(26,092,473)	0	(26,092,473)	Sch. JES - 4
16	Add Back Bad Debt Exp. Included in Indirect Gas Cost	<u>7,118,165</u>	<u>(59,593)</u>	<u>7,058,572</u>	Sch. JES - 4
17	Total Revenue Adjustments	(28,548,082)	345,259	(28,202,823)	Sch. JES - 4
18	Adjusted Total Operating Revenues	<u>481,909,253</u>	<u>345,259</u>	<u>482,254,512</u>	

Bay State Gas Company  
WorkPaper Index  
Supporting the Testimony of John E. Skirtich

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Bay State Gas Company  
 Test Year Ended December 31, 2004

Calculation of Payroll Adjustment Related to O&M Expense

<u>Line</u>	<u>Description</u> [1]	<u>Union</u> [2]	<u>Non-Union</u> [3]	<u>Total</u> [4] [2]+[3]	<u>References</u>
1	<b><u>2004 Payroll Adjustment</u></b>				
2	Total Straight Time Increase	\$311,361	\$325,667	\$637,028	Union: WP JES-6 (P.2; Ln.4) Non-Union: WP JES-6 (P.3; Ln.4)
3					
4	Total Overtime Increase	\$20,735	\$1,354	\$22,089	Union: WP JES-6 (P.4; Ln.15) Non-Union: WP JES-6 (P.10; Ln.4)
5					
6	Percent to O&M Expense	75.64%	75.64%		
7	Straight Time (Ln 2 * Ln 6)	\$235,513	\$246,335	\$481,848	
8	Overtime (Ln 4 * Ln 6)	\$15,684	\$1,024	\$16,708	
9					
10	<b><u>2005 Payroll Adjustment</u></b>				
11	Total Straight Time Increase	\$527,130	\$140,334	\$667,464	Union: WP JES-6 (P.2; Ln.10) Non-Union: WP JES-6 (P.3; Ln.10)
12					
13	Total Overtime Increase	\$136,532	\$9,363	\$145,895	Union: WP JES-6 (P.4; Ln.23) Non-Union: WP JES-6 (P.10; Ln.10)
14					
15	Percent to O&M Expense	75.64%	75.64%		
16	Straight Time (Ln 11 * Ln 15)	\$398,721	\$106,149	\$504,870	
17	Overtime (Ln 13 * Ln 15)	\$103,273	\$7,082	\$110,355	
18					
19	<b><u>2006 Payroll Adjustment</u></b>				
20	Total Straight Time Increase	\$496,936	\$117,478	\$614,414	Union: WP JES-6 (P.2; Ln.18) Non-Union: WP JES-6 (P.3; Ln.18)
21					
22	Total Overtime Increase	\$128,240	\$6,429	\$134,669	Union: WP JES-6 (P.4; Ln.31) Non-Union: WP JES-6 (P.10; Ln.16)
23					
24	Percent to O&M Expense	75.64%	75.64%		
25	Straight Time (Ln 20 * Ln 24)	\$375,882	\$88,860	\$464,742	
26	Overtime (Ln 22 * Ln 24)	\$97,001	\$4,863	\$101,864	

Bay State Gas Company  
 Test Year Ended December 31, 2004

Union Payroll - Straight Time

Line	Description [1]	<u>Union Payroll - Straight Time</u>					Total [7]
		Brockton Local 273 [2]	Springfield Local 12026 (Op.) [3]	Springfield Local 12026 (C/T.) [4]	Northampton Local 486 [5]	Lawrence Local 326 [6]	
1	<u>2004 Union Payroll - Straight Time</u>						
2	Test Year Wages - Straight Time	\$10,197,035	\$6,056,282	\$2,983,539	\$520,644	\$2,252,009	\$22,009,509
3	Annual Wages as of Dec. 2004	\$10,563,918	\$5,850,874	\$3,089,196	\$530,587	\$2,286,294	\$22,320,870
4	2004 Increase (ln 3 - ln 2)						\$311,361
5			\$10,197,035	\$6,056,282	\$2,983,539	\$520,644	\$2,252,009
6							
7	<u>2005 Union Payroll - Straight Time</u>						
8	Percent Change	2.50%	2.50%	1.50%	2.50%	2.50%	
9	Effective Date	1-Feb-05	15-May-05	15-May-05	30-May-05	NA	
10	2005 Increase (ln 3 * ln 8)	\$264,098	\$146,272	\$46,338	\$13,265	\$57,157	\$527,130
11	Percent Change (ln 10 / ln 3)						2.36%
12							
13	<u>2006 Union Payroll - Straight Time</u>						
14	Percent Change	2.50%	2.50%	2.00%	2.50%	NA	
15	Effective Date	1-Feb-06	15-May-06	15-May-06	30-May-06	NA	
16	2005 Union - Payroll - Straight Time						
17	(ln 3 + ln 10)	\$10,828,016	\$5,997,145	\$3,135,534	\$543,852	\$2,343,452	\$22,847,999
18	2006 Increase (ln 14 * ln 17)	\$270,700	\$149,929	\$62,711	\$13,596	\$0	\$496,936
19							
20	Percent Change (ln 18 / ln 17)						2.17%

Bay State Gas Company  
Test Year Ended December 31, 2004

Non-Union Payroll - Straight Time

<u>Line</u>	<u>Description</u> [1]	<u>Exempt</u> [2]	<u>Non-Exempt</u> [3]	<u>Sub-total</u> [4] [2]+[3]	<u>Demand Side Management</u> [5]
1	<u>2004 Non-Union Payroll - Straight Time</u>				
2	Test Year Wages - Straight Time	\$4,339,532	\$1,068,381	\$5,407,913	\$229,117
3	Annual Wages as of Dec. 2004	\$4,524,758	\$1,208,822	\$5,733,580	\$222,749
4	2004 Increase (Ln 3 - Ln 2)	\$185,226	\$140,441	\$325,667	NA
5					
6					
7	<u>2005 Non-Union Payroll - Straight Time</u>				
8	Percent Change	2.30%	3.00%		NA
9	Effective Date	1-Mar-05	1-Mar-05		
10	2005 Increase (Ln 3 * Ln 8)	\$104,069	\$36,265	\$140,334	NA
11	Percent Change (Ln 10 / Ln 3)	2.30%	3.00%	2.45%	NA
12					
13	<u>2006 Non-Union Payroll - Straight Time</u>				
14	Percent Change	2.00%	2.00%		NA
15	Effective Date	1-Mar-06	1-Mar-06		
16	2005 Non-Union Payroll - Straight Time (Ln 3 + Ln 10)	\$4,628,828	\$1,245,087	\$5,873,914	NA
17					
18	2006 Increase (Ln 14 * Ln 17)	\$92,577	\$24,902	\$117,478	NA
19	Percent Change (Ln 18 / Ln 17)	2.00%	2.00%	2.00%	NA

Bay State Gas Company  
Test Year Ended December 31, 2004  
Payroll Adjustment - Overtime - Union Summary

Line	Description [1]	January [2]	February [3]	March [4]	April [5]	May [6]	June [7]	July [8]	August [9]	September [10]	October [11]	November [12]	December [13]	Total [14]
1	<u>2004 Payroll Test Year Overtime - Union Summary</u>													
2	Brockton Local 273	\$334,722	\$248,341	\$188,715	\$246,920	\$260,911	\$254,787	\$260,630	\$223,063	\$250,270	\$413,470	\$318,998	\$346,521	\$3,347,347
3	Springfield Local 12026 (Op.)	\$167,173	\$115,112	\$58,546	\$88,019	\$82,361	\$105,341	\$111,407	\$80,409	\$82,355	\$175,100	\$151,707	\$156,483	\$1,374,012
4	Springfield Local 12026 (C/F)	\$22,946	\$15,872	\$10,473	\$11,969	\$11,372	\$15,048	\$15,961	\$15,043	\$16,326	\$29,309	\$22,866	\$26,943	\$214,127
5	Northampton Local 486	\$12,440	\$6,303	\$2,683	\$4,846	\$7,161	\$9,756	\$9,445	\$8,878	\$6,453	\$10,745	\$10,129	\$10,017	\$98,866
6	Lawrence Local 326	\$65,348	\$65,131	\$26,599	\$43,443	\$30,087	\$34,475	\$34,475	\$24,241	\$27,833	\$46,026	\$45,312	\$49,494	\$492,464
7	2004 Union OT Increase	\$602,628	\$450,758	\$287,026	\$395,198	\$391,891	\$419,406	\$431,918	\$351,634	\$383,236	\$674,650	\$549,011	\$589,457	\$5,526,615
8														
9	<u>2004 Payroll Adjustment - Overtime Increase - Union Summary</u>													
10	Brockton Local 273	\$8,368	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,368
11	Springfield Local 12026 (Op.)	\$2,508	\$1,727	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,234
12	Springfield Local 12026 (C/F)	\$574	\$397	\$262	\$299	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,531
13	Northampton Local 486	\$311	\$158	\$67	\$121	\$179	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$836
14	Lawrence Local 326	\$1,634	\$1,628	\$665	\$1,086	\$752	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,765
15	2004 Union OT Increase	\$13,384	\$3,909	\$994	\$1,506	\$931	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,735
16														
17	<u>2005 Payroll Adjustment - Overtime Increase - Union Summary</u>													
18	Brockton Local 273	\$8,577	\$6,209	\$4,718	\$6,173	\$6,523	\$6,370	\$6,516	\$5,577	\$6,257	\$10,337	\$7,975	\$8,663	\$83,893
19	Springfield Local 12026 (Op.)	\$4,242	\$2,921	\$1,464	\$2,200	\$2,059	\$2,634	\$2,785	\$2,010	\$2,059	\$4,377	\$3,793	\$3,912	\$34,456
20	Springfield Local 12026 (C/F)	\$353	\$244	\$161	\$184	\$171	\$226	\$239	\$226	\$245	\$440	\$343	\$404	\$3,235
21	Northampton Local 486	\$319	\$162	\$69	\$124	\$183	\$244	\$236	\$222	\$161	\$269	\$253	\$250	\$2,493
22	Lawrence Local 326	\$1,675	\$1,669	\$682	\$1,113	\$771	\$862	\$862	\$606	\$696	\$1,151	\$1,133	\$1,237	\$12,456
23	2005 Union OT Increase	\$15,165	\$11,204	\$7,093	\$9,795	\$9,707	\$10,335	\$10,638	\$8,640	\$9,418	\$16,573	\$13,497	\$14,467	\$136,532
24														
25	<u>2006 Payroll Adjustment - Overtime Increase - Union Summary</u>													
26	Brockton Local 273	\$8,792	\$6,364	\$4,836	\$6,327	\$6,686	\$6,529	\$6,679	\$5,716	\$6,413	\$10,595	\$8,174	\$8,880	\$85,990
27	Springfield Local 12026 (Op.)	\$4,348	\$2,994	\$1,500	\$2,255	\$2,110	\$2,699	\$2,855	\$2,060	\$2,110	\$4,487	\$3,887	\$4,010	\$35,318
28	Springfield Local 12026 (C/F)	\$477	\$330	\$218	\$249	\$231	\$305	\$324	\$305	\$331	\$595	\$464	\$547	\$4,378
29	Northampton Local 486	\$327	\$166	\$71	\$127	\$188	\$250	\$242	\$227	\$165	\$275	\$280	\$257	\$2,555
30	Lawrence Local 326	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
31	2006 Union OT Increase	\$13,944	\$9,854	\$6,625	\$8,959	\$9,215	\$9,784	\$10,099	\$8,309	\$9,020	\$15,952	\$12,786	\$13,693	\$128,240

Line	Description [1]	January [2]	February [3]	March [4]	April [5]	May [6]	June [7]	July [8]	August [9]	September [10]	October [11]	November [12]	December [13]	Total [14]
<b>2004 Payroll Adjustment - Overtime - Brockton Local 273</b>														
1	Test Year Overtime	\$334,722	\$248,341	\$188,715	\$246,920	\$260,911	\$254,787	\$260,630	\$223,063	\$250,270	\$413,470	\$318,998	\$346,521	\$3,347,347
2	Percent Change in 2004	2.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
3	2004 Increase (ln 1 * ln 2)	\$8,368	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,368
4														
<b>2005 Payroll Adjustment - Overtime - Brockton Local 273</b>														
5	Percent Change in 2005	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	
7	2004 Adjusted Payroll - Overtime - Brockton Local 273													
8	(ln 1 + ln 3)	\$343,090	\$248,341	\$188,715	\$246,920	\$260,911	\$254,787	\$260,630	\$223,063	\$250,270	\$413,470	\$318,998	\$346,521	
9	2005 Increase (ln 6 * ln 8)	\$8,577	\$6,209	\$4,718	\$6,173	\$6,523	\$6,370	\$6,516	\$5,577	\$6,257	\$10,337	\$7,975	\$8,663	\$83,893
10														
<b>2006 Payroll Adjustment - Overtime - Brockton Local 273</b>														
11	Percent Change in 2006	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	
13	2005 Adjusted Payroll - Overtime - Brockton Local 273													
14	(ln 8 + ln 9)	\$351,667	\$254,549	\$193,433	\$253,093	\$267,434	\$261,156	\$267,146	\$228,639	\$256,527	\$423,806	\$326,973	\$355,184	
15	2006 Increase (ln 12 * ln 14)	\$8,792	\$6,364	\$4,836	\$6,327	\$6,686	\$6,529	\$6,679	\$5,716	\$6,413	\$10,595	\$8,174	\$8,880	\$85,990

Payroll Adjustment - Overtime - Springfield Local 12026 - Operating Division														
Line	Description [1]	January [2]	February [3]	March [4]	April [5]	May [6]	June [7]	July [8]	August [9]	September [10]	October [11]	November [12]	December [13]	Total [14]
2004 Payroll Adjustment - Overtime - Springfield Local 12026 - Operating Division														
1	Test Year Overtime	\$167,173	\$115,112	\$58,546	\$88,019	\$82,361	\$105,341	\$111,407	\$80,409	\$82,355	\$175,100	\$151,707	\$156,483	\$1,374,012
2	Percent Change in 2004	1.50%	1.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
3	2004 Increase (ln 1 * ln 2)	\$2,508	\$1,727	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,234
4														
2005 Payroll Adjustment - Overtime - Springfield Local 12026 - Operating Division														
5	Percent Change in 2005	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	
6	2005 Adjusted Payroll - Overtime - Springfield Local 12026	(ln 1 + ln 3)												
7	2005 Increase (ln 6 * ln 8)	\$169,681	\$116,838	\$58,546	\$88,019	\$82,361	\$105,341	\$111,407	\$80,409	\$82,355	\$175,100	\$151,707	\$156,483	\$34,456
8		\$4,242	\$2,921	\$1,464	\$2,200	\$2,069	\$2,634	\$2,785	\$2,010	\$2,059	\$4,377	\$3,793	\$3,912	
9														
10														
2006 Payroll Adjustment - Overtime - Springfield Local 12026 - Operating Division														
11	Percent Change in 2006	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	
12	2006 Adjusted Payroll - Overtime - Springfield Local 12026	(ln 8 + ln 9)												
13	2006 Increase (ln 12 * ln 14)	\$173,923	\$119,759	\$60,010	\$90,220	\$84,420	\$107,974	\$114,193	\$82,419	\$84,414	\$179,477	\$155,500	\$160,395	\$35,318
14		\$4,348	\$2,994	\$1,500	\$2,255	\$2,110	\$2,699	\$2,855	\$2,060	\$2,110	\$4,487	\$3,887	\$4,010	\$35,318



[illegible]

Line	Description [1]	January [2]	February [3]	March [4]	April [5]	May [6]	June [7]	July [8]	August [9]	September [10]	October [11]	November [12]	December [13]	Total [14]
<b><u>2004 Payroll Adjustment - Overtime - Northampton Local 486</u></b>														
1	Test Year Overtime	\$12,440	\$6,303	\$2,693	\$4,846	\$7,161	\$9,756	\$9,445	\$8,878	\$6,453	\$10,745	\$10,129	\$10,017	\$98,866
2	Percent Change in 2004	2.50%	2.50%	2.50%	2.50%	2.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
3	2004 Increase (ln 1 * ln 2)	\$311	\$158	\$67	\$121	\$179	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$836
4														
<b><u>2005 Payroll Adjustment - Overtime - Northampton Local 486</u></b>														
5	Percent Change in 2005	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	
6	Percent Change in 2005	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	
7	2004 Adjusted Payroll - Overtime - Springfield Local 486													
8	(ln 1 + ln 3)													
9	2005 Increase (ln 6 * ln 8)	\$12,751	\$6,460	\$2,761	\$4,967	\$7,340	\$9,756	\$9,445	\$8,878	\$6,453	\$10,745	\$10,129	\$10,017	\$2,493
10		\$319	\$162	\$69	\$124	\$183	\$244	\$236	\$222	\$161	\$269	\$253	\$250	
11	<b><u>2006 Payroll Adjustment - Overtime - Northampton Local 486</u></b>													
12	Percent Change in 2006	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	
13	2005 Adjusted Payroll - Overtime - Springfield Local 486													
14	(ln 8 + ln 9)													
15	2006 Increase (ln 12 * ln 14)	\$13,070	\$6,622	\$2,830	\$5,091	\$7,523	\$10,000	\$9,681	\$9,100	\$6,614	\$11,014	\$10,382	\$10,267	\$2,555
		\$327	\$166	\$71	\$127	\$188	\$250	\$242	\$227	\$165	\$275	\$260	\$257	



Bay State Gas Company  
Test Year Ended December 31, 2004

Payroll Adjustment - Non-Union - Overtime

<u>Line</u>	<u>Description</u> [1]	<u>January</u> [2]	<u>February</u> [3]	<u>March</u> [4]	<u>April</u> [5]	<u>May</u> [6]	<u>June</u> [7]	<u>July</u> [8]	<u>August</u> [9]	<u>September</u> [10]	<u>October</u> [11]	<u>November</u> [12]	<u>December</u> [13]	<u>Total</u> [14]
1	<u>2004 Payroll Adjustment - Non-Union - Overtime</u>													
2	Test Year Overtime	\$34,585	\$26,948	\$26,644	\$18,139	\$21,163	\$23,468	\$23,501	\$16,592	\$17,805	\$18,152	\$36,110	\$47,645	\$310,751
3	Percent Change in 2004	2.20%	2.20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
4	2004 Increase (ln 1 * ln 2)	\$761	\$593	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,354
5														
6	<u>2005 Payroll Adjustment - Non-Union - Overtime</u>													
7	Percent Change in 2005	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
8	2004 Adjusted Payroll - Non-Union - Overtime													
9	(ln 1 + ln 3)	\$35,346	\$27,541	\$26,644	\$18,139	\$21,163	\$23,468	\$23,501	\$16,592	\$17,805	\$18,152	\$36,110	\$47,645	\$312,104
10	2005 Increase (ln 6 * ln 8)	\$1,060	\$826	\$799	\$544	\$635	\$704	\$705	\$498	\$534	\$545	\$1,083	\$1,429	\$9,363
11														
12	<u>2006 Payroll Adjustment - Non-Union - Overtime</u>													
13	Percent Change in 2006	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
14	2005 Adjusted Payroll - Non-Union - Overtime													
15	(ln 8 + ln 9)	\$36,406	\$28,367	\$27,443	\$18,683	\$21,797	\$24,172	\$24,207	\$17,089	\$18,339	\$18,697	\$37,193	\$49,074	\$321,467
16	2006 Increase (ln 12 * ln 14)	\$728	\$567	\$549	\$374	\$436	\$483	\$484	\$342	\$367	\$374	\$744	\$981	\$6,429

[illegible]

**Bay State Gas Company**  
**Adjustments to Operating Expenses**  
**Test Year Ended December 31, 2004**  
**Medical and Dental Insurance Based on Current Rates (2004)**

Line No.	Type of Plan (1)	Non-Union Group			Union Group			Total # of People	
		# of People (2)	Net Annual Rate (3)	Cost (4 = 2 x 3)	# of People (5)	Net Annual Rate (6)	Cost (7 = 5 x 6)	(8 = 2 + 5)	Total Cost (9 = 4 + 7)
1	Health New England HMO								
2	EE	1.0	\$3,312	\$3,300	16.0	\$3,312	\$53,000	17.0	\$56,300
3	EE+Spouse	-	\$6,624	\$0	23.0	\$6,624	\$152,400	23.0	\$152,400
4	EE+Child(ren)	-	\$6,624	\$0	5.0	\$6,624	\$33,100	5.0	\$33,100
5	Family	-	\$10,268	\$0	43.0	\$10,268	\$441,500	43.0	\$441,500
6	Total								<b>\$683,300</b>
7	BCBS Blue Choice (POS)*								
8	EE		\$3,415	\$0	8.4	\$3,415	\$28,700	8.4	\$28,700
9	EE+Spouse		\$6,830	\$0	12.5	\$6,830	\$85,400	12.5	\$85,400
10	EE+Child(ren)		\$6,830	\$0	4.7	\$6,830	\$32,100	4.7	\$32,100
11	Family		\$9,221	\$0	20.9	\$9,221	\$192,700	20.9	\$192,700
12	Total								<b>\$338,900</b>
13	PPO								
14	EE	3.0	\$3,113	\$9,300	0.8	\$3,113	\$2,500	3.8	\$11,800
15	EE+Spouse	3.0	\$6,226	\$18,700	-	\$6,226	\$0	3.0	\$18,700
16	EE+Child(ren)	-	\$5,915	\$0	-	\$5,915	\$0	-	\$0
17	Family	3.8	\$9,650	\$36,700	-	\$9,650	\$0	3.8	\$36,700
18	Total								<b>\$67,200</b>
19	Standard Plan 1								
20	EE	0.8	\$3,024	\$2,400		\$3,024	\$0	0.8	\$2,400
21	EE+Spouse	-	\$6,048	\$0		\$6,048	\$0	-	\$0
22	EE+Child(ren)	-	\$5,745	\$0		\$5,745	\$0	-	\$0
23	Family	-	\$9,374	\$0		\$9,374	\$0	-	\$0
24	Total								<b>\$2,400</b>
25	Standard Plan 2								
26	EE	1.0	\$2,815	\$2,800		\$2,815	\$0	1.0	\$2,800
27	EE+Spouse	-	\$5,629	\$0		\$5,629	\$0	-	\$0
28	EE+Child(ren)	1.0	\$5,348	\$5,300		\$5,348	\$0	1.0	\$5,300
29	Family	-	\$8,726	\$0		\$8,726	\$0	-	\$0
30	Total								<b>\$8,100</b>
31	Totals	84.4		\$711,500	383.4		\$3,313,100	467.8	<b>\$4,024,600</b>

32  
33 Enrollment based on 2004 enrollment with fractional employees  
34 Rates based on 2004 rates  
35 Lines 1-54 are fully insured plans, lines 55-72 are self insured plans  
36 \* (POS) Point of Service

21 Enrollment based on 2004 enrollment with fractional employees  
22 Rates based on 2004 renewal rates  
23 Lines 1-5 are fully insured plans, lines 7-17 are self insured plans

[illegible]



**Bay State Gas Company**  
**Adjustments to Operating Expenses**  
**Test Year Ended December 31, 2004**  
**Medical and Dental Insurance Based on Current Rates (2004)**

Line No.	Type of Plan	Non-Union Group			Union Group			Total # of People	Total Cost
		# of People	Net Annual Rate	Cost	# of People	Net Annual Rate	Cost		
	(1)	(2)	(3)	(4 = 2 x 3)	(5)	(6)	(7 = 5 x 6)	(8 = 2 + 5)	(9 = 4 + 7)
1	<u>Anthem BCBS NH/ME HMO (Union)</u>								
2	EE	-	\$4,348	\$0	-	\$4,348	\$0	-	\$0
3	EE+Spouse	2.0	\$8,695	\$17,400	3.0	\$8,695	\$26,100	5.0	\$43,500
4	EE+Child(ren)	-	\$8,260	\$0	-	\$8,260	\$0	-	\$0
5	Family	2.0	\$13,477	\$27,000	1.0	\$13,477	\$13,500	3.0	\$40,500
6	Total								\$84,000
7	<u>Health New England HMO</u>								
8	EE	-	\$3,688	\$0	19.2	\$3,688	\$70,800	19.2	\$70,800
9	EE+Spouse	-	\$7,375	\$0	31.7	\$7,375	\$233,800	31.7	\$233,800
10	EE+Child(ren)	-	\$7,008	\$0	11.5	\$7,008	\$80,600	11.5	\$80,600
11	Family	-	\$11,433	\$0	49.7	\$11,433	\$568,200	49.7	\$568,200
12	Total								\$953,400
13	<u>BCBS Blue Choice (POS)*</u>								
14	EE	-	NA		-	NA		-	\$0
15	EE+Spouse	-	NA		-	NA		-	\$0
16	EE+Child(ren)	-	NA		-	NA		-	\$0
17	Family	-	NA		-	NA		-	\$0
18	*Plan is not being offered in 2005.								
19	<u>PPO</u>								
20	EE	4.8	\$3,492	\$16,800	2.8	\$3,492	\$9,800	7.6	\$26,600
21	EE+Spouse	3.0	\$6,984	\$21,000	1.0	\$6,984	\$7,000	4.0	\$28,000
22	EE+Child(ren)	-	\$6,635	\$0	0.8	\$6,635	\$5,300	0.8	\$5,300
23	Family	4.8	\$10,825	\$52,000	10.3	\$10,825	\$111,500	15.1	\$163,500
24	Total								\$223,400
25	<u>Standard Plan 1</u>								
26	EE	1.8	\$3,398	\$6,100	1.0	\$3,398	\$3,400	2.8	\$9,500
27	EE+Spouse	-	\$6,797	\$0	-	\$6,797	\$0	-	\$0
28	EE+Child(ren)	-	\$6,457	\$0	-	\$6,457	\$0	-	\$0
29	Family	-	\$10,535	\$0	-	\$10,535	\$0	-	\$0
30	Total								\$9,500
31	<u>Standard Plan 2</u>								
32	EE	3.0	\$3,177	\$9,500	3.8	\$3,177	\$12,100	6.8	\$21,600
33	EE+Spouse	-	\$6,354	\$0	2.0	\$6,354	\$12,700	2.0	\$12,700
34	EE+Child(ren)	-	\$6,037	\$0	1.0	\$6,037	\$6,000	1.0	\$6,000
35	Family	-	\$9,849	\$0	1.0	\$9,849	\$9,800	1.0	\$9,800
36	Total								\$50,100
37	Totals	21.4		\$150,000	139.8		\$1,171,000	161.2	\$4,929,700

38  
39 Enrollment based on 2004 enrollment  
40 Rates based on 2005 renewal rates  
41 Lines 1-54 are fully insured plans, lines 55-72 are self insured plans  
42 \* (POS) Point of Service

**Bay State Gas Company**  
**Adjustments to Operating Expenses**  
**Test Year Ended December 31, 2004**  
**Medical and Dental Insurance Based on Current Rates (2005)**

Line No.	Type of Plan	Non-Union Group			Union Group			Total #	
		# of People	Net Annual Rate	Cost	# of People	Net Annual Rate	Cost	of People	Total
	(1)	(2)	(3)	(4 = 2 x 3)	(5)	(6)	(7 = 5 x 6)	(8 = 2 + 5)	(9 = 4 + 7)
1	<u>BCBS Dental</u>								
2	EE	-	\$388	\$0	43.7	\$388	\$16,900	43.7	\$16,900
3	EE+Spouse	-	\$775	\$0	64.7	\$775	\$50,200	64.7	\$50,200
4	EE+Child(ren)	-	\$737	\$0	9.7	\$737	\$7,100	9.7	\$7,100
5	Family	-	\$1,166	\$0	105.3	\$1,166	\$122,800	105.3	<u>\$122,800</u>
6	Total								<u>\$197,000</u>
7	<u>Basic Dental</u>								
8	EE	10.5	\$362	\$3,800	30.4	\$362	\$11,000	40.9	\$14,800
9	EE+Spouse	10.5	\$724	\$7,600	33.5	\$724	\$24,200	44.0	\$31,800
10	EE+Child(ren)	1.7	\$688	\$1,200	9.9	\$688	\$6,800	11.6	\$8,000
11	Family	20.2	\$1,122	\$22,700	43.2	\$1,122	\$48,500	63.4	<u>\$71,200</u>
12	Total								<u>\$125,800</u>
13	<u>Dental Plus</u>								
14	EE	8.5	\$357	\$3,000	11.5	\$357	\$4,100	20.0	\$7,100
15	EE+Spouse	12.2	\$714	\$8,700	13.5	\$714	\$9,600	25.7	\$18,300
16	EE+Child(ren)	3.5	\$678	\$2,400	11.9	\$678	\$8,100	15.4	\$10,500
17	Family	38.2	\$1,107	\$42,300	37.5	\$1,107	\$41,500	75.7	<u>\$83,800</u>
18	Total								<u>\$119,700</u>
19	Totals	105.3		\$92,000	414.8		\$351,000	520.1	<u>\$442,500</u>

- 20
- 21 Enrollment based on 2004 enrollment
- 22 Rates based on 2005 renewal rates
- 23 Lines 1-5 are fully insured plans, lines 7-18 are self insured plans

BAY STATE GAS COMPANY PROPERTY AND LIABILITY INSURANCE PREMIUM EXPENSE

Line No.	Type of Coverage 2004-2005 Policy Year Combined (1)	Premium (2) \$	Bay State Portion (3)	Bay State Premium (4) \$
1	<b>Primary Liability</b>			
2	AEGIS (NICL)	2,465,000	6.40%	157,760
3	<b>Excess General Liability</b>			
4	Park Bermuda Limited	225,000	6.40%	14,400
5	Park Bermuda Limited	1,301,020	6.40%	83,265
6	Agnew Higgins Pickering	200,000	6.40%	12,800
7	Agnew Higgins Pickering	989,000	6.40%	63,296
8	AEGIS	122,500	6.40%	7,840
9	AEGIS	2,503,621	6.40%	160,232
10	EIM	912,688	6.40%	58,412
11	MSW (Incl Service Fee)	2,350,750	6.40%	150,448
12	EIB	72,107	6.40%	4,615
13	<b>Total Excess General Liability</b>	8,676,686		555,308
14	<b>Workers Compensation</b>			
15	AEGIS (NICL)	6,589,752	7.40%	487,642
16	McGriff, Seibels & Williams	2,186,821	7.40%	161,825
17	AEGIS	325,000	7.40%	24,050
18	<b>Total Workers Compensation</b>	9,101,573		673,516
19	<b>Auto Liability</b>			
20	AEGIS (NICL)	435,000	7.80%	33,930
21	AEGIS	441,816	7.80%	34,462
22	<b>Total Auto Liability</b>	876,816		68,392
23	<b>SIR Buyout Liability</b>	4,229,545	4.52%	191,175
24	<b>Property (Primary)</b>			
25	AEGIS (NICL)	3,295,284	0.98%	32,294
26	<b>Property (Excess)</b>			
27	OIL Ltd (1st quarter)	97,243	0.98%	953
28	OIL Ltd (2nd quarter)	102,110	0.98%	1,001
29	OIL Ltd (3rd quarter) Estimated	97,243	0.98%	953
30	OIL Ltd (4th quarter) Estimated	102,110	0.98%	1,001
31	Park Bermuda Limited	1,037,916	0.98%	10,172
32	GARD AS Energy	92,870	0.98%	910
33	AEGIS	234,525	0.98%	2,298
34	EIM	133,995	0.98%	1,313
35	JLT Risk Solutions	4,249,488	0.98%	41,645
36	<b>Property (Engineering Fees)</b>			
37	Zurich Services Corp.	224,040	0.98%	2,196
38	AON (1st installment of 4)	99,000	1.79%	1,772
39	AON (2nd installment of 4)	26,000	1.79%	465
40	AON (3rd installment of 4)	25,000	1.79%	448
41	AON (4th installment of 4)	25,000	1.79%	448
42	<b>Total Property</b>	9,841,824		97,869
43	<b>Directors &amp; Officers Liability</b>			
44	EIM (Energy Insurance Mutual)	1,417,850	8.73%	123,778
45	Park Bermuda (Incl Fiduciary)	1,111,200	8.73%	97,008
46	McGriff, Seibels & Williams (Incl. Fiduciary & Crime)	3,079,900	8.73%	268,875
47	<b>Total Directors &amp; Officers Liability</b>	5,608,950		489,661
48	<b>Fiduciary Liability</b>			
49	EIM (Energy Insurance Mutual)	203,568	8.73%	17,771
50	<b>Commercial Crime ( Included In D&amp;O)</b>			
51	<b>Special Crime</b>			
52	McGriff, Seibels & Williams	19,980	6.43%	1,285
53	<b>Bonds</b>			
54	Town of Walpole Bond	585	100.00%	585
55	Town of Canton Bond	85	100.00%	85
56	Town of Stoughton Bond	85	100.00%	85
57	Town of Duxbury	85	100.00%	85
58	<b>Total Bonds</b>	840		840
59	<b>Total 2004-2005 Premiums Combined</b>	41,024,782		2,253,578

BAY STATE GAS COMPANY PROPERTY AND LIABILITY INSURANCE PREMIUM EXPENSE - DECEMBER 2004

Line No	Type of Coverage 2004-2005 Policy Year (1)	Jan (2) \$	Feb (3) \$	Mar (4) \$	Apr (5) \$	May (6) \$	Jun (7) \$	Jul (8) \$	Aug (9) \$	Sep (10) \$	Oct (11) \$	Nov (12) \$	Dec (13) \$	Total (14) \$
1	Primary Liability	39,188	39,188	39,188	39,188	39,188	39,188	0	13,147	13,147	13,147	13,147	13,147	300,863
2	Total Excess General Liability	32,763	32,763	32,763	32,763	32,763	32,763	71,292	54,090	49,410	52,529	52,529	52,529	528,957
3	Total Workers Compensation	33,559	33,559	33,559	33,559	33,559	33,559	10,647	91,921	51,284	56,277	56,277	56,277	524,037
4	Total Auto Liability	2,951	2,951	2,951	2,951	2,951	2,951	9,588	9,588	6,015	8,526	5,699	5,699	62,821
5	SIR Buy Down Liability	0	0	0	0	0	0	0	191,380	0	0	0	0	191,380
6	Total Property	9,803	9,803	9,803	9,803	9,803	9,803	1,672	14,360	8,629	8,205	8,057	8,057	107,798
7	Total Directors & Officers Liability	36,807	36,807	36,807	36,807	27,565	46,047	48,003	48,003	48,003	47,444	40,805	40,805	493,903
8	Fiduciary Liability	7,802	3,802	3,802	3,234	3,234	3,234	0	0	0	0	1,481	1,481	28,070
9	Special Crime	9,383	8,898	8,898	8,898	8,898	8,898	0	0	0	36	36	36	53,981
10	Bonds	0	38	38	0	0	0	0	0	0	70	70	254	470
11	Total	172,256	167,809	167,809	167,203	157,961	176,443	141,202	422,489	176,488	186,234	178,101	178,285	2,292,280

Bay State Gas Company  
 Self Insurance - Claims  
 Test Year Ended December 31, 2004  
 Accrual Insurance

Line No.	Year (1)	General Liability Post 2/91	Auto	Total
		<u>242-03</u> (3) \$	<u>242-04</u> (4) \$	
1	2000	649,376	138,445	787,821
2	2001	83,263	37,285	120,548
3	2002	136,525	0	136,525
4	2003	1,046,837	0	1,046,837
5	2004	<u>204,375</u>	<u>92,745</u>	<u>297,120</u>
6	Total	2,120,376	268,474	2,388,851
7	5 Year Avg.	424,075	53,695	477,770

**Bay State Gas Company**  
**Adjustment To Operating Expenses - Rate Case Expense**  
**Test Year Ended December 31, 2004**

<b>Line No.</b>	<b>Description</b>	<b>Amount \$</b>
1	Outside Legal - (Nixon-Peabody)	644,254
2	Depreciation - (Earl Robinson)	67,743
3	Cost of Capital Support - (Paul Moul)	52,766
4	Performance Based Ratemaking Plan - (Larry Kaufman)	266,686
5	Cost of Service Study and Marginal Cost Study - ( MAC)	189,600
6	Steel Infrastructure Replacement Program Support (RJ Rudden)	318,414
7	Labor and Benefit Analyses - (Hewitt)	69,381
8	Paul LaShoto (Historic Capital Expenditures)	44,228
9	Other Professional Services	494,879
10	Miscellaneous services (Copying, Supplies, Temporary Help, etc.)	238,239
11	Adjustments/Corrections 3/	(3,507)
12	Total Current Rate Case Expenses (Lines 1 - 11) 1/	2,382,683
13	Remaining Estimate of Rate Case Expenses 2/	67,540
14	Total Estimated Rate Case Expenses (Line 12 + Line 13)	2,450,223

**NOTES:**

- 1/ Based on compilation of all rate case expense invoices processed through September 30, 2005.
- 2/ Reflects the current estimate of remaining rate case expenses for all vendors as of September 30, 2005. per data request DTE-15-58.
- 3/ Reflects a reduction of \$430.23 associated with Bank of America Leasing late charges and \$3,077 in charges associated with the allocation of Coler and Colantonio expenses to Northern Utilities, per RR-DTE-144.

Bay State Gas Company  
Adjustment To Operating Expenses - Bad Debt Expense Gas Revenue  
Test Year December, 2004

Line No.	Description	(1)	(2) 2002 \$	(3) 2003 \$	(4) 2004 \$	(5) Total \$
<b>Per Books</b>						
1	Residential		221,781,489	311,951,749	326,938,328	
2	Comm&Ind		67,446,226	110,042,506	122,913,271	
3	Transportation		25,416,868	25,642,206	23,650,154	
4	Total		314,644,583	447,636,461	473,501,753	1,235,782,797
<b>Per Books</b>						
		<b>Net Write Offs</b>				
		<b>Year</b>	<b>526001 Brockton \$</b>	<b>526001 Springfield \$</b>	<b>526001 Lawrence \$</b>	<b>Total Write Offs \$</b>
5	Jan, 2002		134,875.52	175,664.50	123,551.85	434,091.87
6	Feb		237,768.25	224,086.80	119,573.77	581,428.82
7	Mar		72,638.64	131,049.68	337,039.34	540,727.66
8	Apr		70,453.61	113,792.72	160,849.24	345,095.57
9	May		169,336.94	193,207.11	65,675.70	428,219.75
10	June		226,470.51	266,217.54	(6,826.05)	485,862.00
11	July		302,965.29	486,355.90	192,621.91	981,943.10
12	August		394,955.90	471,322.81	433,427.76	1,299,706.47
13	Sept		263,489.64	392,476.92	203,445.53	859,412.09
14	Oct		178,340.76	356,528.56	206,639.91	741,509.23
15	Nov		43,281.31	289,063.98	140,591.53	472,936.82
16	Dec		75,074.45	178,792.28	101,668.14	355,534.87
17	Total 2002 Write Offs Yr-to-Date		2,169,650.82	3,278,558.80	2,078,258.63	7,526,468.25
18	Jan, 2003		48,006.99	156,440.77	74,954.82	279,402.58
19	Feb		28,054.44	96,938.79	25,486.31	150,479.54
20	Mar		63,803.16	40,894.89	51,237.68	155,935.73
21	Apr		(72,433.58)	(60,426.53)	277,540.69	144,680.58
22	May		225,736.93	356,493.05	(94,666.50)	487,563.48
23	June		210,401.58	261,874.56	244,137.25	716,413.39
24	July		312,294.75	391,430.64	170,976.39	874,701.78
25	August		461,552.15	643,008.37	305,006.71	1,409,567.23
26	Sept		599,066.08	661,319.39	242,032.95	1,502,418.42
27	Oct		364,497.10	522,999.90	273,377.49	1,160,874.49
28	Nov		277,241.23	994,175.85	217,867.68	1,489,284.76
29	Nov-Adjustment		14,714.23	277,003.12	70,681.70	362,399.05
30	Dec		157,937.55	841,176.95	203,451.81	1,202,566.31
31	Total 2003 Write Offs Yr-to-Date		2,690,872.61	5,183,329.75	2,062,084.98	9,936,287.34
32	Jan, 2004		186,691.64	(230,475.32)	120,991.29	77,207.61
33	February		77,191.66	108,113.32	61,865.05	247,170.03
34	March		83,134.31	72,151.99	87,437.25	242,723.55
35	April		110,753.53	618,295.90	91,930.00	820,979.43
36	May		122,871.10	91,768.64	129,500.14	344,139.88
37	June		(71,674.13)	(74,940.58)	(42,330.17)	(188,944.88)
38	July		649,098.21	853,928.81	640,475.85	2,143,502.87
39	August		490,544.20	468,158.65	396,314.93	1,355,017.78
40	September		421,697.47	462,362.51	249,670.20	1,133,730.18
41	October		289,169.14	570,164.82	271,726.21	1,131,060.17
42	November		240,251.72	367,777.93	309,405.26	917,434.91
43	Dec		168,411.28	426,816.90	257,274.69	852,502.87
44	Total 2004 Write Offs Yr-to-Date		2,768,140.13	3,734,123.57	2,574,260.70	9,076,524.40
45	Total Write Offs					26,539,279.99
<b>Per Books</b>						
		<b>Gas Revenue Income Statement \$</b>	<b>EP&amp;S Income Statement \$</b>	<b>Total Income Statement \$</b>		
46	Bad Debt Accrual	8,244,660	0	8,244,660		
47	Bad Debt Exp-Cust Service	0	86,737	86,737		
48	Bad Debt Exp-Mdse	0	0	0		
49	Bad Debt Exp-Rental	0	326,029	326,029		
50	Bad Debt Accrual-Special	245,169	0	245,169		
51	Bad Debt Write Off Gas	0	0	0		
52	Bad Debt Write Off CGA Includible	(5,290,135)	0	(5,290,135)		
53	Total Test Year Expense Level	3,199,694	412,767	3,612,460		

43 Total Write Offs



**Bay State Gas Company**  
**Adjustment To Operating Expenses - Bad Debt Expense Other**  
**Test Year December, 2004**

<u>Line No.</u>	<u>Description</u> (1)	<u>2002</u> (2) \$	<u>2003</u> (3) \$	<u>2004</u> (4) \$	<u>Total</u> (5) \$
<b><u>Per Books</u></b>					
1	Miscellaneous Service Revenue	14,426,620	14,038,784	14,515,392	<u>42,980,795</u>

		Gas Revenue	EP&S	Total
		Income	Income	Income
<u>Per Books</u>		<u>Statement</u>	<u>Statement</u>	<u>Statement</u>
		\$	\$	\$
2	Bad Debt Accrual	8,244,660	0	8,244,660
3	Bad Debt Exp-Cust Service	0	86,737	86,737
4	Bad Debt Exp-Mdse	0	0	0
5	Bad Debt Exp-Rental	0	326,029	326,029
6	Bad Debt Accrual-Special	245,169	0	245,169
7	Bad Debt Write Off Gas	0	0	0
8	Bad Debt Write Off CGA Includible	(5,290,135)	0	(5,290,135)
9	Total Test Year Expense Level	3,199,694	412,767	3,612,460

[illegible]

Bay State Gas Company  
 Adjustments to Operating Expenses  
 Test Year Ended December 31, 2004

Operating Expenses: Payroll Taxes

NiSource Corporate Service Employees

<u>Line</u>	<u>Description</u> [1]	<u>Taxable for</u> <u>Social Security (1)</u> [2]	<u>Taxable for</u> <u>Medicare (2)</u> [3]	<u>Total</u> [4]
1	2004 NiSource Corporate Services Taxable Payroll (3)	\$97,810,419	\$132,455,915	
2				
3	Percent of Total Taxable	73.84%	100.00%	
4				
5	Tax Rates (4)	6.20%	1.45%	
6				
7	NiSource Corporate Services Payroll Adjustment	\$335,894	\$454,871	\$454,871
8	(Exh. BSG/JES-1; Workpaper JES -18; page 1 of 8; line 26)			
9				
10	Payroll Tax Change (line 5 * line 7)	\$20,825	\$6,596	\$27,421

Notes:

- 1) 2004 Social Security taxable limit: \$87,900.
- 2) Medicare has no taxable limit.
- 3) Includes all NiSource Corporate Services employees.
- 4) Tax rates from [www.ssa.gov](http://www.ssa.gov)

**Bay State Gas Company**  
**Calculation of Benefits for NCSC Medical & Dental Insurance**  
**Test Year December 31, 2004**

<u>Line No.</u>	<u>Month</u> (1)	<u>Benefits Expense</u> (2) \$	<u>Reference</u>
1	January, 2004	113,440	WP JES-6 Page 31, Ln 14
2	February	116,284	WP JES-6 Page 31, Ln 15
3	March	132,441	WP JES-6 Page 31, Ln 16
4	April	89,777	WP JES-6 Page 31, Ln 17
5	May	114,999	WP JES-6 Page 31, Ln 18
6	June	93,481	WP JES-6 Page 31, Ln 19
7	July	91,673	WP JES-6 Page 31, Ln 20
8	August	98,478	WP JES-6 Page 31, Ln 21
9	September	98,577	WP JES-6 Page 31, Ln 22
10	October	92,375	WP JES-6 Page 31, Ln 23
11	November	87,317	WP JES-6 Page 31, Ln 24
12	December, 2004	102,395	WP JES-6 Page 31, Ln 25
13	Total	<u>1,231,237</u>	
14	Percent Increase (Ln 19)	<u>22.30%</u>	
15	NCS 2005 Increase (Ln 13 x Ln 14)	<u><u>274,566</u></u>	
16	Total Test Year BSG Benefits Expense 12/31/04	4,392,500	Sch JES-6, Page 4, Ln 17
17	Total BSG Benefits Expense 12/31/05	<u>5,372,200</u>	Sch JES-6, Page 4, Ln 34
18	Increase	979,700	
19	Percentage Increase (Ln 18 / Ln 16)	22.30%	

Allocated Charitable Contributions to Bay State  
 By NiSource Corporate Services  
 Test Year December 31, 2004

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	(1)	(2) \$
1	<u>2004 Donations</u>	
2	Attleboro Area Chamber of Commerce	100
3	Barbara McKay	55
4	Blue Diamond Broadcasting	500
5	Boston Big Game	150
6	Broadcasters Bookkeeping Service	1,320
7	Brockton Rox	1,000
8	Donald Dinunno	255
9	Gosnold Treatment Center	150
10	Greater Fort Wayne Chamber of Commerce	83
11	Hammond Education Foundation	19
12	Indiana Society of Washington	655
13	JTS Hand a Neonatal Fund	44
14	Meghan Cassidy	100
15	Operation Defibrillator	2,000
16	Partnership for a Safer Community	500
17	Springfield Symphony Orchestra	734
18	St. Patrick Catholic Church	70
19	Western New England College	1,000
20	Total 2004 Charitable Contributions	<u>8,735</u>

Bay State Gas Company  
NiSource Corporate Services Company  
Expensed Charges

Line No.	Month (1)	Direct Labor (2) \$	Allocated Labor (3) \$	Total Labor (4) \$	Direct Expenses (5) \$	Allocated Expenses (6) \$	Benefits (7) \$	Co. 12 Charges (8) \$	Total (9) \$
1	Jan. 04	103,677	700,785	804,462	74,109	328,132	420,527	290,000	1,917,230
2	Feb. 04	99,305	907,168	1,006,473	105,782	271,679	323,287	263,573	1,970,794
3	Mar. 04	110,340	735,247	845,587	245,309	458,489	339,802	266,004	2,155,191
4	Apr. 04	115,451	859,779	975,231	106,204	360,379	326,779	302,740	2,071,332
5	May 04	101,574	717,578	819,152	143,043	418,900	324,966	244,332	1,950,393
6	Jun. 04	107,109	708,282	815,390	181,719	470,268	290,058	250,811	2,008,247
7	Jul. 04	122,572	690,279	812,851	113,141	342,744	328,562	286,513	1,883,810
8	Aug. 04	141,963	673,827	815,790	156,732	384,037	282,020	256,262	1,894,840
9	Sep. 04	139,182	729,555	868,736	131,046	352,408	321,358	316,817	1,990,366
10	Oct. 04	139,240	747,808	887,048	120,108	411,063	294,823	266,811	1,979,853
11	Nov. 04	126,121	755,576	881,697	73,806	499,318	344,505	248,182	2,047,508
12	Dec. 04	126,951	839,910	966,861	231,084	545,429	564,861	(809)	2,307,425
13	Total	1,433,483	9,065,794	10,499,278	1,682,082	4,842,845	4,161,548	2,991,236	24,176,988

**Bay State Gas Company**  
**Summary of Sales and Revenue for Farm Sales by Month**  
**For the Years 2000 through 2004**

Line No.	Month Year	<u>Sales</u> (1) MMBTU	<u>Discounted</u> <u>Revenues</u> (2) \$	<u>Full</u> <u>Revenues</u> (3) \$	<u>Difference</u> (4) \$
1	Jan-00	305.60	2,094.99	2,327.77	
2	Feb	3,318.70	22,614.10	25,126.78	
3	Mar	3,476.90	23,108.53	25,676.14	
4	Apr	4,319.13	27,226.06	30,251.18	
5	May	1,940.87	11,995.34	13,328.16	
6	Jun	559.10	3,338.96	3,709.96	
7	Jul	136.00	1,003.38	1,114.87	
8	Aug	(1,080.20)	(5,684.61)	(6,316.23)	
9	Sep	116.09	1,180.11	1,311.23	
10	Oct	508.14	3,195.73	3,550.81	
11	Nov	4,826.83	14,660.69	16,289.66	
12	Dec-00	7,139.02	23,574.78	26,194.20	
13	Total	25,566.18	128,308.06	142,564.53	14,256.47
14	Jan-01	11,745.59	38,364.14	42,626.82	
15	Feb	11,569.60	39,809.56	44,232.84	
16	Mar	10,052.20	45,300.71	50,334.12	
17	Apr	7,534.39	34,708.47	38,564.97	
18	May	3,427.48	16,707.19	18,563.54	
19	Jun	3,032.42	13,267.70	14,741.89	
20	Jul	384.85	(4,991.78)	(5,546.42)	
21	Aug	2,756.45	13,125.28	14,583.64	
22	Sep	2,068.54	9,946.25	11,051.39	
23	Oct	3,437.74	14,284.48	15,871.64	
24	Nov	3,601.68	9,319.92	10,355.47	
25	Dec-01	6,291.53	24,319.38	27,021.53	
26	Total	65,902.47	254,161.30	282,401.43	28,240.13
27	Jan-02	10,258.19	34,736.02	38,595.58	
28	Feb	8,124.70	29,028.92	32,254.36	
29	Mar	8,111.68	31,574.53	35,082.81	
30	Apr	6,290.58	26,993.88	29,993.20	
31	May	4,630.09	17,216.80	19,129.78	
32	Jun	3,148.80	10,867.67	12,075.19	
33	Jul	2,357.10	8,946.55	9,940.61	
34	Aug	2,759.60	10,238.40	11,376.00	
35	Sep	30.70	678.94	754.38	
36	Oct	308.90	2,213.68	2,459.64	
37	Nov	530.50	3,735.62	4,150.69	
38	Dec-02	1,266.40	9,328.68	10,365.20	
39	Total	47,817.24	185,559.69	206,177.44	20,617.75
40	Jan-03	(3,634.80)	(15,814.81)	(17,572.01)	
41	Feb	1,129.10	9,138.23	10,153.59	
42	Mar	1,350.90	11,694.45	12,993.83	
43	Apr	1,390.70	11,989.23	13,321.37	
44	May	749.00	5,782.38	6,424.87	
45	Jun	308.20	2,737.84	3,042.04	
46	Jul	118.30	1,205.37	1,339.30	
47	Aug	102.00	1,203.37	1,337.08	
48	Sep	104.80	1,185.58	1,317.31	
49	Oct	318.00	2,769.68	3,077.42	
50	Nov	484.20	4,644.53	5,160.59	
51	Dec-03	871.50	8,024.11	8,915.68	
52	Total	3,291.90	44,559.96	49,511.07	4,951.11
53	Jan-04	1,313.60	12,751.18	14,167.98	
54	Feb	785.70	8,522.85	9,469.83	
55	Mar	1,098.50	11,238.06	12,486.73	
56	Apr	1,796.90	268.46	298.29	
57	May	749.00	5,782.38	6,424.87	
58	Jun	209.10	2,067.64	2,297.38	
59	Jul	105.60	1,384.84	1,538.71	
60	Aug	83.40	1,287.83	1,430.92	
61	Sep	96.00	1,415.62	1,572.91	
62	Oct	212.90	2,541.01	2,823.34	
63	Nov	4,224.40	11,563.70	12,848.56	
64	Dec-04	5,472.00	17,991.59	19,990.66	
65	Total	16,147.10	76,815.16	85,350.18	8,535.02
66	TOTAL	158,724.89	689,404.17	766,004.65	76,600.48

**POSTAGE INCREASE FILED**

On April 8, 2005 the Postal Service filed a rate case with the Postal Rate Commission seeking an expedited recommended decision to raise prices 5.4 percent for almost all categories.

This filing is unique in that the decision to seek a rate increase is due to the Postal Service's legal obligation to fund the \$3.1 billion escrow requirement imposed by Public Law (PL) 108-18. Should legislation be enacted that eliminates the escrow funding requirement, this rate case will be withdrawn.

The proposal calls for an almost uniform 5.4 percent rate and fee increase spread over all classes and subclasses of mail and special services. The postage for a one-ounce piece of First-Class Mail would go from 37 to 39 cents. No classification-related changes are proposed.

If favorably recommended by the Postal Rate Commission, new rates would be implemented no earlier than January 2006.



	(1)	(2)	(3)	(4)	NCSC Medical Expense Allocated to Bay State (5 = 2 x 4) \$	NCSC Dental Expense Allocated to Bay State (6 = 3 x 4) \$	Total NCSC Medical & Dental Expenses Allocated to Bay State (7 = 5 + 6) \$
	<b>BENEFITS - Medical &amp; Dental</b>						
14	January, 2004	1,055,147.69	83,705.93	9.961%	105,102	8,338	113,440
15	February	1,157,436.73	9,975.71	9.961%	115,290	994	116,284
16	March	1,188,312.70	141,301.80	9.961%	118,366	14,075	132,441
17	April	742,128.69	159,172.79	9.961%	73,922	15,855	89,777
18	May	1,029,506.23	125,006.50	9.961%	102,547	12,452	114,999
19	June	850,540.40	87,939.57	9.961%	84,721	8,760	93,481
20	July	829,984.70	90,352.30	9.961%	82,673	9,000	91,673
21	August	906,006.89	82,644.79	9.961%	90,246	8,232	98,478
22	September	891,347.56	98,295.34	9.961%	88,786	9,791	98,577
23	October	838,978.16	88,402.30	9.961%	83,569	8,806	92,375
24	November	820,580.16	56,019.27	9.961%	81,737	5,580	87,317
25	December, 2004	780,556.98	247,414.37	9.961%	77,750	24,645	102,395
26	Total	11,090,526.89	1,270,230.67		1,104,709.00	126,528.00	1,231,237.00

Bay State Gas Company  
Building Cost Allocation Results  
Twelve Months Ended 12/31/04

Annualized Depreciation Expense - Portion Allocated to Northern Utilities

Ln. No.	Cost Component	Brockton (\$)	Lawrence (\$)	Ludlow (\$)	Springfield (\$)	Westborough (\$)
1	O&M Expense	645,107	191,085	153,899	1,015,321	1,975,012
2	Gas Used in Company Operations	59,647	8,474	64,287	71,528	-
3	Depreciation	310,055	79,988	8,113	445,776	1,411,694
4	Property Tax	1,732	43,230	6,564	113,778	136,939
5	Income Tax	126,725	43,933	17,436	175,423	235,991
6	Return	286,629	99,367	39,436	396,773	533,766
7	Total Revenue Requirement	1,429,895	466,077	289,735	2,218,599	4,293,402
8	Bay State - Northern Allocation Percentage	12.40%	21.12%	45.49%	39.14%	100.00%
9	Costs to be Allocated through Management Fee	177,307	98,435	131,800	868,359	4,293,402

	<u>Supporting Information</u>	<u>Amount</u> (\$)	<u>Amount</u> (\$)	<u>Amount</u> (\$)	<u>Amount</u> (\$)	<u>Amount</u> (\$)	
10	Rate Base @ 12/31/2004:						
11	Property, Plant and Equipment						
12	Building @ Original Cost	4,906,781	1,530,864	892,805	7,123,320	12,833,243	
13	Less: Accumulated Reserve for Depreciation	2,015,656	521,138	557,545	2,993,100	6,699,567	
14	Net Property, Plant and Equipment	2,891,125	1,009,726	335,260	4,130,220	6,133,676	
15	Less: Deferred Taxes	121,765	49,658	(45,766)	296,662	976,515	
16	Total Rate Base	2,769,360	960,068	381,026	3,833,558	5,157,161	
17	Annual Depreciation Expense:	310,055	79,988	8,113	445,776	1,411,694	2,255,626
18	Bay State - Northern Allocation Percentage	12.40%	21.12%	45.49%	39.14%	100.00%	
19	Annual Depr. Exp Allocated Through Mgt. Fee	38,447	16,893	3,691	174,477	1,411,694	1,645,202
20	Annual Depr. Exp Allocated Through Mgt. Fee	1,645,202					
21	Northern Utilities 3 Factor Formula	16.40%					
22	Total Allocated to Northern Utilities	269,813					
23	Test Year Depreciation Expense	24,126,707					
24	Annualized Depreciation Expense	28,841,454					
25	Allocation Percent to Northern Utilities (Ln 22 / Ln 23)	1.12%					
26	Annualized Depr. To Northern Utilities	323,024					
27	Adjustment (Line 26 less Line 22)	53,211					

**Bay State Gas Company**  
**Depreciation Expenses - Completed Construction In Service**  
**Twelve Months Ended 12/31/04**

<u>Line</u> <u>No.</u>	<u>Work order</u>	<u>Street</u>	<u>Town</u>	<u>Pipe</u> <u>Footage</u>	<u>Pipe</u> <u>Size</u>	<u>Pipe</u> <u>Type</u>	<u>Replacement</u> <u>Completion</u> <u>Date</u>	<u>Actual</u> <u>Replace.</u> <u>Costs</u> <u>\$</u>	<u>Est.</u> <u>Retire.</u> <u>Cost</u> <u>\$</u>	<u>Est</u> <u>Project</u> <u>Cost</u> <u>\$</u>	<u>Project</u> <u>ID</u>
<b><u>Brockton - 2004</u></b>											
1	5489275	Curtis St.	Scituate	1200'	2"	plastic	Oct. 2004	22,911.00	2,408.11	25,319.11	B04D5039
2	5683374	Maple St.	Medway	1260'	6"	plastic	Nov. 2004	46,048.00	2,408.11	48,456.11	B04D6034
3	5669391	S. Walker St	Taunton	3930'	4"	plastic	Oct. 2004	96,807.00	2,408.11	99,215.11	B04D6019
4	5525579	Fisher St.	Franklin	1255'	4"	plastic	Oct. 2004	43,383.00	2,408.11	45,791.11	B04D5059
5	5670638	Pleasant St.	Attleboro	1400'	8"	plastic	Oct. 2004	120,525.00	2,408.11	122,933.11	B04D6020
6	5665591	Central Ave.	Seekonk	2925'	8"	plastic	Oct. 2004	97,245.00	2,408.11	99,653.11	B04D6005
7	5496369	Grasshopper Ln.	Scituate	790'	2"	plastic	Sept.2004	18,965.00	2,408.11	21,373.11	B04D5040
8	5362477	Alma Ave	Pembroke	600'	2"	plastic	Oct. 2004	8,407.00	2,408.11	10,815.11	B03D5079
9	5362461	Pondview Ave	Pembroke	420'	2"	plastic	Oct. 2004	11,481.00	2,408.11	13,889.11	B03D5079
10	5362472	Pinehurst Ave	Pembroke	330	2"	plastic	Oct. 2004	1,518.00	2,408.11	3,926.11	B03D5079
11	5665646	Spring St.	Holbrook	365'	2"	plastic	Oct. 2004	12,060.00	2,408.11	14,468.11	B04D6011
12	5665646	Spring St.	Holbrook	1815'	6"	plastic	Oct. 2004	0.00	2,408.11	2,408.11	B04D6011
13	5665655	South St.	Holbrook	1310'	6"	plastic	Dec.2004	46,138.00	2,408.11	48,546.11	B04D6011
14	5496269	Washington St.	Pembroke	1200'	6"	plastic	Oct. 2004	61,500.00	2,408.11	63,908.11	B04D5044
15	5657330	Vinald Rd.	Medfield	725	6"	plastic	Oct. 2004	27,869.00	2,408.11	30,277.11	B04D5016
16	5657327	Upham Rd.	Medfield	465	6"	plastic	Oct. 2004	6,397.00	2,408.11	8,805.11	B04D5016
17	5667049	High St.	Medfield	3579'	8"	plastic	Oct. 2004	90,523.00	2,408.11	92,931.11	B04D6003
18	5670428	Lincoln St.	Franklin	4252'	8"	plastic	Nov. 2004	162,971.00	2,408.11	165,379.11	B04D6028
19	5677476	Lincoln St.	Franklin	4782'	8"	plastic	Nov. 2004	178,873.00	2,408.11	181,281.11	B04D6029
20			<b>TOTAL</b>					<b>1,053,621.00</b>	<b>45,754.09</b>	<b>1,099,375.09</b>	

Metscan Lease Payment  
 Regulatory Asset Value

Line No.		Lease 31946-00018	Lease 31946-00022	Lease 31946-00016	Combined
1					
2		13.05%	13.05%	13.05%	
3	2004 Payments				
4	2005 Lease Payments Jan-Mar				
5	NPV Remainder of Lease	\$1,789,146.26	\$552,420.32	\$8,149,624.54	
6	<b>Total Lease</b>	<b>\$1,789,146.26</b>	<b>\$552,420.32</b>	<b>\$8,149,624.54</b>	<b>\$10,491,191.12</b>
7	Apr-05	\$40,938.60	\$11,750.53	\$191,098.98	
8	May-05	\$40,938.60	\$11,750.53	\$191,098.98	
9	Jun-05	\$40,938.60	\$11,750.53	\$191,098.98	
10	Jul-05	\$40,938.60	\$11,750.53	\$191,098.98	
11	Aug-05	\$40,938.60	\$11,750.53	\$191,098.98	
12	Sep-05	\$40,938.60	\$11,750.53	\$191,098.98	
13	Oct-05	\$40,938.60	\$11,750.53	\$191,098.98	
14	Nov-05	\$40,938.60	\$11,750.53	\$191,098.98	
15	Dec-05	\$40,938.60	\$11,750.53	\$191,098.98	
16	Jan-06	\$40,938.60	\$11,750.53	\$191,098.98	
17	Feb-06	\$40,938.60	\$11,750.53	\$191,098.98	
18	Mar-06	\$40,938.60	\$11,750.53	\$191,098.98	
19	Apr-06	\$40,938.60	\$11,750.53	\$191,098.98	
20	May-06	\$40,938.60	\$11,750.53	\$191,098.98	
21	Jun-06	\$40,938.60	\$11,750.53	\$191,098.98	
22	Jul-06	\$40,938.60	\$11,750.53	\$191,098.98	
23	Aug-06	\$40,938.60	\$11,750.53	\$191,098.98	
24	Sep-06	\$40,938.60	\$11,750.53	\$191,098.98	
25	Oct-06	\$40,938.60	\$11,750.53	\$191,098.98	
26	Nov-06	\$40,938.60	\$11,750.53	\$191,098.98	
27	Dec-06	\$40,938.60	\$11,750.53	\$191,098.98	
28	Jan-07	\$40,938.60	\$11,750.53	\$191,098.98	
29	Feb-07	\$40,938.60	\$11,750.53	\$191,098.98	
30	Mar-07	\$40,938.60	\$11,750.53	\$191,098.98	
31	Apr-07	\$40,938.60	\$11,750.53	\$191,098.98	
32	May-07	\$40,938.60	\$11,750.53	\$191,098.98	
33	Jun-07	\$40,938.60	\$11,750.53	\$191,098.98	
34	Jul-07	\$40,938.60	\$11,750.53	\$191,098.98	
35	Aug-07	\$40,938.60	\$11,750.53	\$191,098.98	
36	Sep-07	\$40,938.60	\$11,750.53	\$191,098.98	
37	Oct-07	\$40,938.60	\$11,750.53	\$191,098.98	
38	Nov-07	\$40,938.60	\$11,750.53	\$191,098.98	
39	Dec-07	\$40,938.60	\$11,750.53	\$4,298,888.71	
40	Jan-08	\$40,938.60	\$11,750.53		
41	Feb-08	\$921,050.51	\$11,750.53		
42	Mar-08		\$11,750.53		
43	Apr-08		\$11,750.53		
44	May-08		\$11,750.53		
45	Jun-08		\$11,750.53		
46	Jul-08		\$11,750.53		
47	Aug-08		\$11,750.53		
48	Sep-08		\$260,496.02		

Bay State Gas Company  
Building Cost Allocation Results  
Twelve Months Ended 12/31/04

Annualized Property Tax Expense - Portion Allocated to Northern Utilities

Ln. No.	Cost Component	Brockton (\$)	Lawrence (\$)	Ludlow (\$)	Springfield (\$)	Westborough (\$)	
1	O&M Expense	645,107	191,085	153,899	1,015,321	1,975,012	
2	Gas Used in Company Operations	59,647	8,474	64,287	71,528	-	
3	Depreciation	310,055	79,988	8,113	445,776	1,411,694	
4	Property Tax	1,732	43,230	6,564	113,778	136,939	
5	Income Tax	126,725	43,933	17,436	175,423	235,991	
6	Return	286,629	99,367	39,436	396,773	533,766	
7	Total Revenue Requirement	1,429,895	466,076	289,734	2,218,599	4,293,402	
8	Bay State - Northern Allocation Percentage	12.40%	21.12%	45.49%	39.14%	100.00%	
9	Costs to be Allocated through Management Fee	177,298	98,438	131,803	868,423	4,293,402	
<b>Supporting Information</b>		<b>Amount (\$)</b>	<b>Amount (\$)</b>	<b>Amount (\$)</b>	<b>Amount (\$)</b>	<b>Amount (\$)</b>	
10	Rate Base @ 12/31/2004:						
11	Property, Plant and Equipment						
12	Building @ Original Cost	4,906,781	1,530,864	892,805	7,123,320	12,833,243	
13	Less: Accumulated Reserve for Depreciation	2,015,656	521,138	557,545	2,993,100	6,699,567	
14	Net Property, Plant and Equipment	2,891,126	1,009,726	335,260	4,130,220	6,133,676	
15	Less: Deferred Taxes	121,765	49,658	(45,766)	296,662	976,515	
16	Total Rate Base	2,769,361	960,067	381,027	3,833,558	5,157,161	
17	Property Tax	1,732	43,230	6,564	113,778	136,939	302,243
18	Bay State - Northern Allocation Percentage	12.40%	21.12%	45.49%	39.14%	100.00%	
19	Annual Property Tax Allocated Through Mgt. Fee	215	9,130	2,986	44,533	136,939	193,803
20	Property Tax Exp. Allocated Through Mgt. Fee	193,803					
21	Northern Utilities 3 Factor Formula	16.40%					
22	Total Allocated to Northern Utilities	31,784					
23	Test Tear Property Tax Expense	7,071,744					
24	Annualized Property Tax Expense	7,292,120					
25	Allocation Percent to Northern Utilities (Ln 22 / Ln 23)	0.45%					
26	Annualized Property Tax to Northern Utilities	32,815					
27	Adjustment (Line 26 less Line 22)	1,031					

**Bay State Gas Company  
Adjustment To Interest on Customer Deposits  
Twelve Months Ended 12/31/04**

Pursuant to DTE regulations, the Company has recently filed interests rates to be used for Customer Deposits and Late Payment Charges in Massachusetts.

**These rates are effective February 1, 2005 through January 31, 2006**

**LATE PAYMENT CHARGES**

The maximum late charge for the 2005 period will be **12.38%** based on the rate published in the Federal Reserve Statistical Release, H.15 Selected Interest Rates.

The monthly equivalent to use is 0.98%.

**CUSTOMER DEPOSITS**

The rate payable on customer deposits held for more than six months for the 2005 period will be **2.38%**, based on the rate published in the Federal Reserve Statistical Release, H.15 Selected Interest Rates.

The monthly equivalent to use is 0.20%.

**Bay State Gas Company**  
**Amortization and Adjustment to D. P. U. 92-111 South Georgia Calculation**  
**As of December 31, 2004**

<u>Line No.</u>	<u>Original Calculation</u>	<u>Update for Rate Change</u>	<u>Update for 1992 Difference</u>	<u>Total</u>
	(1)	(2)	(3)	(4)
	\$	\$	\$	\$
1 Cumulative Differences	116,419,468			
2 Deferred Taxes Required at 38.29	44,577,014			
3 Deferred Taxes Recorded	40,191,774			
4 Deficiency at October 31, 1992	4,385,240			
5 Amortization				
6 11/1/1992	(14,501)			
7 12/31/1992	(14,501)			
8 Adjustment for 1% Federal Increase				
9 Cumulative Differences		116,419,468	8,459,636	
10 Deferred Taxes Required at 39.225		45,665,536	3,318,292	
11 Deferred Taxes Required at 38.29		44,577,014	3,239,195	
12 Additional Requirement		1,088,522	79,097	
13 1993	(174,017)			
14 1994	(174,017)			
15 1995	(174,017)			
16 1996	(174,017)			
17 1997	(174,017)			
18 1998	(174,017)			
19 1999	(174,017)			
20 2000	(174,017)			
21 2001	(174,017)			
22 2002	(174,017)			
23 2003	(174,017)			
24 2001	(174,017)			
25 Deficiency at December 31, 2004	2,268,034	1,088,522	79,097	3,435,653
26 Gross Up at 39.225/60.775	<u>1,463,820</u>	<u>702,547</u>	<u>51,050</u>	<u>2,217,417</u>
27 Total Regulatory Asset Per Books	<u>3,731,854</u>	<u>1,791,069</u>	<u>130,147</u>	<u>5,653,070</u>
28 No. of Year Remaining on Amortization	13.0334	13.0334	13.0334	13.0334
29 Collections per Year	<u>174,017</u>	<u>83,518</u>	<u>6,069</u>	<u>263,604</u>
30 Recovery Before Gross Up	<u>2,268,033</u>	<u>1,088,524</u>	<u>79,100</u>	<u>3,435,656</u>
31 Deferred ITC at December 31, 2004				1,865,547
32 Gross Up at 39.225/60.775				<u>1,204,049</u>
33 Total Regulatory Liability				<u>1,204,049</u>

Bay State Gas Company  
 Unamort. Pre 1971 ITC  
 As of December 31, 2004

Unamort. Pre 1971 ITC is Amortized at a \$33,550.19

Line No.		\$
1	Dec 31, 1991 - Per DPU 92-111	40,264
2	Mar 31, 1991	39,705
3	Jun 30, 1991	39,145
4	Sep 30, 1991	38,586
5	Dec 31, 1992	38,026
6	Mar 31, 1993	37,467
7	Jun 30, 1993	36,907
8	Sep 30, 1993	36,348
9	Dec 31, 1993	35,788
10	Mar 31, 1994	35,229
11	Jun 30, 1994	34,669
12	Sep 30, 1994	34,110
13	Dec 31, 1994	33,550
14	Mar 31, 1995	32,991
15	Jun 30, 1995	32,431
16	Sep 30, 1995	31,872
17	Dec 31, 1995	31,312
18	Mar 31, 1996	30,753
19	Jun 30, 1996	30,193
20	Sep 30, 1996	29,634
21	Dec 31, 1996	29,074
22	Mar 31, 1997	28,515
23	Jun 30, 1997	27,955
24	Sep 30, 1997	27,396
25	Dec 31, 1997	26,836
26	Mar 31, 1998	26,277
27	Jun 30, 1998	25,717
28	Sep 30, 1998	25,158
29	Dec 31, 1998	24,598
30	Mar 31, 1999	24,039
31	Jun 30, 1999	23,479
32	Sept. 30, 1999	22,920
33	Dec. 31, 1999	22,360
34	Mar 31, 2000	21,801
35	Jun 30, 2000	21,241
36	Sept. 30, 2000	20,682
37	Dec. 31, 2000	20,122
38	Mar 31, 2001	19,563
39	Jun 31, 2001	19,003
40	Sep 31, 2001	18,444
41	Dec. 31, 2001	17,884
42	Mar 31, 2002	17,325
43	Jun 31, 2002	16,765
44	Sep 31, 2002	16,206
45	Dec. 31, 2002	15,646
46	Mar 31, 2003	15,087
47	Jun 31, 2003	14,527
48	Sep 31, 2003	13,968
49	Dec. 31, 2003	13,408
50	Mar 31, 2004	12,849
51	Jun 31, 2004	12,289
52	Sep 31, 2004	11,730
53	Dec. 31, 2004	11,170



Bay State Gas Company  
Property, Plant and Equipment  
Period Ended December 31, 2004

Line No.	Description	Beginning Year Balance	Additions	Retirements	Other Changes	Period End Balance	Accum Deprec 12/31/2004	Net Book Value	Accumulated Deferred Income Taxes 12/31/04
<b>GPA INTANGIBLE PLANT</b>									
1	301 Organization	4,432,918.56	0.00	0.00		4,432,919	3,463,000	969,919	0.002206 (173,656)
2	303 Misc. Intangible Plant	478,038,238.89	408,243.69	422,055.32	(443,450,715.86)	34,573,711	18,717,328	15,856,383	(5,957,355)
3	Total Intangible Plant	482,471,157.45	408,243.69	422,055.32	(443,450,715.86)	39,006,630			
<b>PRODUCTION PLANT</b>									
4	304 Land & Land Rights	412,591.77	0.00	0.00	0.00	412,592	-	412,592	0 -
5	305 Structures & Improvements	2,298,906.89	70,044.18	0.00	0.00	2,368,951	1,549,991	818,960	0.001862 (146,576)
6	311 L.P. Gas Equipment	4,193,151.80	146,262.97	0.00	0.00	4,339,415	3,319,616	1,019,798	0.002319 (182,551)
7	320 Other Equipment	835,037.49	14,940.67	30,732.85	0.00	819,245	290,326	528,920	0.001203 (94,700)
8	321 L.N.G. Equipment	16,536,014.07	386,196.45	1,494,143.49	0.00	15,428,067	3,808,926	11,619,141	0.026421 (2,079,853)
9	Total Production Plant	24,275,702.02	617,444.27	1,524,876.34	0.00	23,368,270			
<b>STORAGE PLANT</b>									
10	360 Land & Land Rights	0.00	0.00	0.00	0.00	-	-	-	-
11	361 Structures & Improvements	0.00	0.00	0.00	0.00	-	-	-	-
12	362 Gas Holders	0.00	0.00	0.00	0.00	-	-	-	-
13	363 Other Equipment	0.00	0.00	0.00	0.00	-	-	-	-
14	Total Storage Plant	0.00	0.00	0.00	0.00	-	-	0	-
<b>DISTRIBUTION PLANT</b>									
15	364 Land & Land Rights	219,040.69	0.00	0.00	0.00	219,041	-	219,041	0 -
16	365 Right of Way	79,051.37	0.00	0.00	0.00	79,051	1,573	77,478	0.000176 (13,855)
17	366 Structures & Improvements	2,108,612.14	0.00	0.00	0.00	2,108,612	1,525,122	583,490	0.001327 (104,461)
18	367 Gas Mains - Bare Steel	2,623,324.91	0.00	68,966.19		2,554,359			
19	367 Gas Mains - Joint Clamping	19,444,428.05	1,767,852.60	1,191,557.89		20,020,721			
20	367 Gas Mains - Cast Iron	5,710,346.74	6,148.36	25,554.01		5,690,941			
21	367 Gas Mains - Cathodic Protection	7,381,476.55	988,868.13	95,718.98		8,274,626			
22	367 Gas Mains - Coated Steel	144,022,648.91	2,126,351.58	32,271.69		146,116,729			
23	367 Gas Mains - Plastic	116,554,117.31	9,565,294.18	43,585.95		126,075,826			
24	Total Gas Mains 367	295,736,340.47	14,454,514.85	1,457,654.71	0.00	308,733,201	79,431,595	229,301,606	0.521417 (41,067,125)
25	368 Compressor Station Equipment	327,265.05	0.00	0.00	0.00	327,265	250,135	77,130	0.000175 (13,776)
26	369 Meas. & Reg. Station Equipment	11,275,919.37	1,079,291.30	0.00	(55.16)	12,355,156	3,636,205	8,718,950	0.019826 (1,560,697)
27	380 Gas Services	217,033,295.05	11,674,250.16	661,117.63	699,935.97	228,746,364	124,158,847	104,587,516	0.237825 (18,721,514)
28	381 Gas Meters	24,527,065.54	666,262.16	277,354.19	0.00	24,915,974	10,092,102	14,823,871	0.033709 (2,653,563)
29	382 Meter Installations	42,380,403.42	2,881,951.73	63,944.55	0.00	45,198,411	10,511,706	34,686,705	0.078875 (6,209,017)
30	383 Gas Regulators	13,562,019.77	56,895.51	6,868.56	0.00	13,612,047	5,385,754	8,226,292	0.018706 (1,472,531)
31	38600 Gas Water Heaters	11,496,963.94	2,556,418.42	0.00	0.00	14,053,382	2,962,994	11,090,388	(898,514)
32	38602 Cascade Diamond Boilers	569,752.00	0.00	0.00	0.00	569,752	1,444,172	(874,420)	(584,325)
33	38603 Conversion Burners	7,727,860.78	107,292.38	0.00	0.00	7,835,153	443,949	7,391,204	78,609
34	Total Other Equipment on Cust Property	19,794,576.72	2,663,710.80	0.00	0.00	22,458,288			
35	387 Other Equipment	1,814,797.11	199,959.00	295,197.31	0.00	1,719,559	371,382	1,348,177	0.002844 (223,879)
36	Total Distribution Plant	628,858,386.70	33,676,835.51	2,762,136.95	699,880.81	660,472,966			
<b>TRANSMISSION PLANT</b>									
37	374 Rights of Way	0.00	0.00	0.00	0.00	-	-	-	-
38	376 Mains	0.00	0.00	0.00	0.00	-	-	-	-
39	378 Regulator Station	0.00	0.00	0.00	0.00	-	-	-	-
40	379 Other Equipment	510,251.60	0.00	0.00	0.00	510,252	223,628	286,623	0.000652 (51,325)
41	Total Transmission Plant	510,251.60	0.00	0.00	0.00	510,252			
<b>GENERAL PLANT</b>									
42	389 Land & Land Rights	172,320.91	0.00	0.00	0.00	172,321	-	172,321	0 -
43	390 Structures & Improvements	6,939,631.18	364,845.14	0.00	(652.78)	7,303,824	2,188,656	5,115,168	0.011632 (915,668)
44	Total General Plant	7,111,952.09	364,845.14	0.00	(652.78)	7,476,144			
<b>GENERAL PLANT (Equipment)</b>									
45	391 Office Equipment	6,060,100.96	5,648.95	147,764.97	0.00	5,917,985	3,965,303	1,952,682	0.00444 (349,515)
46	391- Office IT Equipment	5,171,181.03	407,984.59	76,791.57	0.00	5,502,374	3,686,826	1,815,549	0.004128 (324,955)
47	392 Transportation Equipment	2,638,835.77	5,060.84	280,302.72	0.00	2,363,594	1,284,851	1,078,743	0.002453 (193,099)
48	393 Stores Equipment	50,472.55	0.00	0.00	0.00	50,473	(1,968)	52,441	0.000119 (9,368)
49	394 Tools, Shop & Garage Equipment	1,709,378.09	138,559.67	0.00	0.00	1,847,938	814,696	1,033,242	0.00235 (184,991)
50	396 Power Operated Equipment	489,502.88	1,440.00	84,518.14	0.00	406,425	174,702	231,723	0.000527 (41,485)
50	397 Communications Equipment	7,613,742.44	27,046.41	240,473.68	0.00	7,400,315	2,428,116	4,972,199	0.011306 (890,005)
51	397 Communications Equip ERT/ITRON	0.00	4,880,583.13	2,632,411.75	0.00	2,248,171	49,882	2,198,289	0.004999 (393,520)
52	397 Communications Equip MetScan	0.00	0.00	0.00	0.00	644,449	157,481	486,968	0.001107 (87,143)
53	397 Communications Equip MetScan	14,486,282.97	60,882.65	8,636,134.69	0.00	5,266,581	2,145,215	3,121,366	0.007098 (558,752)
54		22,100,025.41	4,968,512.19	11,509,020.12	0.00	15,559,517			
54	398 Miscellaneous Equipment	25,220.35	0.00	0.00	0.00	25,220	13,955	11,265	0.000026 (2,047)
55	Total General Plant (Equipment)	38,244,717.04	5,527,206.24	12,098,397.52	0.00	31,673,525			
56	101 Utility Plant In Service	1,181,472,166.90	40,594,574.85	16,807,466.13	(442,751,487.83)	762,507,787	(21,835)		
57	105 Land Held for Future Use	0.00	0.00	0.00	0.00	-			
58	106 Completed Construction Not Classified	0.00	0.00	0.00	0.00	-			
59	107 Construction Work in Progress	8,779,896.66	(1,394,163.05)	0.00	0.00				
60	Total Utility Plant	1,190,252,063.56	39,200,411.80	16,807,466.13	(442,751,487.83)	762,507,787	288,474,232	474,033,555	(86,081,290)
61	Total Depreciable Property	698,197,056.08	40,186,331.16	16,385,410.81	699,228.03	722,697,204		439,766,046	0.999728 (78,719,704)

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE  
FIFTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.  
D. T. E. 05-27

Date: September 30, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

**SUPPLEMENTAL CONFIDENTIAL RESPONSE**

DTE-15-58 SUPP 6 Please provide updated invoices and rate case expense updates, labeled by the categories provided in Exh. BSG/JES-1, Sch. JES-6, at 8, on the basis of every two weeks for the duration of this proceeding. This is an ongoing information request.

Response: Please see Attachment DTE-15-58 (a), **Supplemental Response 6**, for an updated version of Exh. BSG/JES-1, Sch. JES-6, at 8. This version reflects all of Bay State's actual rate case expenses paid to date, by vendor category. Attachment DTE-15-58 (a) has been supplemented to include a summary of expenses by sub-category to show vendor charges within each respective category (see Attachment DTE-15-58(a) page 2 of 7). In addition, Attachment DTE-15-58 (a) pages 3 through 7 include a summary of all invoices the Company is seeking to recover by vendor. The Company notes that its estimate of remaining rate case expenses that Bay State expects to incur through December 2005, which were provided in Supplemental Response 5, have been adjusted downward to reflect recent payments. These estimated expenses are associated with activities normally incurred to prepare and file both the Company's Reply Brief and Compliance Filing (Line 12).

The following is a list of the remaining attachments that include copies of all new invoices for each of the respective rate case vendors that have been processed from September 15, 2005 to date. Line Numbers on Exh. BSG/JES-1, Sch. JES-6, at 8 are cross referenced to corresponding vendor names.

Attachment DTE-15-58 (b) SUPP 6 **CONFIDENTIAL**– Nixon Peabody LLP (Outside Legal Services – Line No. 1 of Exh. BSG/JES-1, Sch. JES-6, at 8).

Attachment DTE-15-58 (h) SUPP 6 – Hewitt (Labor & Benefits – Line No. 7 of Exh. BSG/JES-1, Sch. JES-6, at 8).

Attachment DTE-15-58 (j) SUPP 6 – Suburban Staffing, Adecco, Stone Legal, Dan Yardley and Nixon Peabody<sup>1</sup>

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<sup>1</sup> Bay State does not waive its attorney-client privileges associated with its Nixon Peabody Rate Case Legal bills (included in Attachment DTE-15-58 (b)) by providing the Nixon Peabody Rate Case Regulatory Support invoices in unredacted format (included in Attachment DTE-15-58 (j)).

(Line No. 9 – Other Professional Services of  
Exh. BSG/JES-1, Sch. JES-6, at 8).

Attachment DTE-15-58 (k) SUPP 6– Curry Printing, Farmer Arsenault  
Brock, FitzGerald & Robbins, Konica, A & P  
Courier (Line No. 10 – Miscellaneous  
Services of Exh. BSG/JES-1, Sch. JES-6, at  
8)

For the reasons set forth in the Motion for Protective Treatment originally  
filed June 28, 2005, included here for your convenience, Attachment  
DTE-15-58 (b) SUPP 6 **CONFIDENTIAL** is claimed confidential and filed  
in a single copy with the Hearing Officer. Any other party seeking access  
may do so pursuant to a mutually agreed upon confidentiality agreement.

### **SUPPLEMENTAL CONFIDENTIAL RESPONSE**

**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

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Petition of Bay State Gas Company	)
For Approval of Revised Tariffs	)
And Other Rate Modifications	)

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D.T.E. 05-27

**BAY STATE GAS COMPANY'S ASSERTION OF PRIVILEGE AND PROTECTION  
UNDER THE ATTORNEY-CLIENT PRIVILEGE AND THE ATTORNEY WORK-  
PRODUCT DOCTRINE**

**I. INTRODUCTION**

On the bases of the attorney-client privilege and the attorney work-product doctrine, Bay State Gas Company ("Bay State") hereby asserts its privilege for confidential and privileged information redacted from the materials submitted in response to the Department of Telecommunications and Energy ("Department") information request DTE-15-58(b), which seeks production of updated invoices and rate case expense updates and necessarily must include those for outside legal services. In response to DTE-15-58(b), Bay State has submitted, pursuant to G.L. c. 30A, § 11(2), single sealed copies that have been redacted of all confidential and privileged information. Bay State has withheld only such information on the invoices and bills that reflects the mental impressions, conclusions, opinions, or legal theories of Bay State attorneys (and their agents) for the purpose of securing legal opinions, legal services, or assistance in legal proceedings.

The application of the attorney-client privilege and the attorney-work product doctrine to the information has never been waived as to the specific information redacted.

Bay State's response to DTE-15-58(b), therefore, should not be deemed by the Department to constitute a waiver.

In support of its assertion of privilege under the applicable privilege and doctrine, Bay State states as follows:

**II. THE INFORMATION REDACTED FROM BAY STATES' RESPONSE WAS PROPERLY WITHHELD FROM DISCLOSURE UNDER THE ATTORNEY-CLIENT PRIVILEGE AND THE ATTORNEY WORK-PRODUCT DOCTRINE**

**A. Legal Standard**

Under G.L. c. 30A, § 11(2), the Department must "observe the rules of privilege recognized by law." See, e.g., Mass. Gen. Laws ch. 30A, § 11(2) (2005); Commonwealth Learning Center, D.T.E. 03-04-31 (2004) (discussing the application of the attorney-client privilege). The essence of the attorney-client privilege is that it is recognized to protect the confidential relation between attorney and client. P.J. Liacos, *Massachusetts Evidence* § 13.4.5, at 783 (7th ed. 1999); see also Matter of the Reorg. of Elec. Mut. Liab. Ins. Co. (Bermuda), 425 Mass. 419, 421 (1997). To assert the attorney-client privilege, a claimant must show: (1) that it was a client of the attorney; (2) that the attorney acted as an attorney for the claimant in connection with the communication at issue; (3) that the communication relate to facts communicated by the claimant for the purpose of securing legal opinions, legal services, or assistance in a legal proceeding; and (4) that the privilege has not been waived. See U.S. v. Wilson, 798 F.2d 509, 513 (1st Cir. 1986), citing U.S. v. United Shoe Mach. Corp., 89 F. Supp. 357, 358-59 (D. Mass. 1950).

In addition, the attorney work-product doctrine provides protection for "the mental impressions, conclusions, opinions, or legal theories of an attorney or other

representative of a party concerning the litigation." In Massachusetts, the doctrine extends to the more general class of materials "prepared in anticipation of litigation or for trial by or for another party or by or for that other party's representative" and includes the mental impressions of attorneys as a subset of "work-product." See, e.g., Ward v. Peabody, 380 Mass. 805, 818-19 (1980); Shotwell, 26 Mass. App. Ct. at 1015-16. Administrative agencies, such as the Department, must protect against disclosure of attorney work-product in ordering the discovery of materials in proceedings. See, e.g., Mass. R. Civ. P. 26(b)(3); Shotwell v. Winthrop Comm. Hosp., 26 Mass. App. Ct. 1014, 1016 (1988).

B. Items for Which Protective Treatment is Sought

In its information request DTE-15-58(b), the Department asked:

Please provide updated invoices and rate case expense updates, labeled by the categories provided in Exh. BSG/JES-1, Sch. JES-6, at 8, on the basis of every two weeks for the duration of this proceeding. This is an ongoing information request.

To comply with the Department's ongoing request, Bay State, without waiving its privilege, has (and will continue to) compiled the requested materials and redacted from such documents any information that reflects the mental impressions, conclusions, opinions, or legal theories of Bay State attorneys.

C. The Information Bay State Redacted was Properly Withheld Under the Attorney-Client Privilege and the Attorney Work-Product Doctrine

The information Bay State redacted was properly withheld from disclosure under the attorney-client privilege and the attorney work-product doctrine. G.L. c. 30A, § 11(2) requires that the Department observe the rules of privilege recognized by law.

First, Bay State was a client of the attorneys who submitted the bills and invoices that the Department requests. Second, the attorneys who submitted the bills and invoices were

acting as Bay State attorneys. Third, the descriptions of specific services rendered in those bills and invoices relate to facts communicated by Bay State to those attorneys tend to reveal confidential communications. Importantly, Bay State has never waived its privilege to these communications.

In addition, the redacted information is outside the scope of the Department's inquiry in this proceeding. It also reflects the mental impressions of Bay State attorneys. Bay State, therefore, has properly withheld confidential and privileged information from its response to DTE-15-58(b).

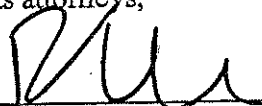

### III. CONCLUSION

WHEREFORE, for the foregoing reasons, Bay State respectfully asserts its privilege over the information withheld from disclosure in response to DTE-15-58(b).

Respectfully submitted,

BAY STATE GAS COMPANY

By its attorneys,

  
\_\_\_\_\_  
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NIXON PEABODY LLP  
100 Summer Street  
Boston, MA 02110  
Tel (617) 345-1316  
Fax (866) 947-1870

Dated: June 28, 2005

Bay State Gas Company  
Adjustment To Operating Expenses - Rate Case Expenses  
Test Year Ended December 31, 2004

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1) \$	<u>Reference</u> (2)
1	Outside Legal	\$644,253.66	Sch. JES-6, P. 8, Line 1
2	Depreciation Study	\$67,743.25	Sch. JES-6, P. 8, Line 2
3	Cost of Capital Support	\$52,766.00	Sch. JES-6, P. 8, Line 3
4	Performance Based Ratemaking Plan	\$266,686.24	Sch. JES-6, P. 8, Line 4
5	Cost of Service Study and Marginal Cost Study	\$189,599.65	Sch. JES-6, P. 8, Line 5
6	Steel Infrastructure Replacement Program	\$318,413.81	Sch. JES-6, P. 8, Line 6
7	Labor and Benefit Analyses	\$69,381.00	Sch. JES-6, P. 8, Line 7
8	Historic Capital Expenditures	\$44,228.42	Sch. JES-6, P. 8, Line 8
9	Other Professional Services	\$494,879.23	Sch. JES-6, P. 8, Line 9
10	Miscellaneous Services (Copying, Supplies, Temporary Help, etc.)	\$238,239.25	Sch. JES-6, P. 8, Line 10
11	Adjustments/Corrections 3/	(\$3,507.23)	
11a	Total Current Rate Case Expenses (Lines 1 - 10) 1/	\$2,382,683.28	
12	Remaining Estimate of Rate Case Expenses 2/	\$67,540.14	
13	Estimated Total Rate Case Expense (Line 11 + Line 12)	\$2,450,223.42	
14	PBR Period	<u>5 Yrs.</u>	
15	Annual Amortization (Line 11 / Line 12)	\$490,045.00	

NOTES: 1/ Based on compilation of all rate case expense invoices processed through September 30, 2005.  
2/ Reflects the current estimate of remaining rate case expenses for all vendors as of September 30, 2005.  
3/ Reflects a reduction of \$430.23 associated with Bank of America Leasing late charges and \$3077 in charges associated with the allocation of Coler and Colantonio expenses to Northern Utilities, per RR-DTE-144.





Invoice No.	Vendor Name	Date	Amount	Total by Vendor
15000	ABC Courier Service 8888	7/6/2005	\$189.80	
14904	ABC Courier Service 8888	7/6/2005	\$265.20	
14821	ABC Courier Service 8888	7/6/2005	\$174.80	
14860	ABC Courier Service 8888	7/6/2005	\$174.80	
14749	ABC Courier Service 8888	7/6/2005	\$60.65	
15054	ABC Courier Service 8888	7/22/2005	\$611.80	
14952	ABC Courier Service 8888	7/22/2005	\$87.40	
15130	ABC Courier Service 8888	7/22/2005	\$767.45	
15161	ABC Courier Service 8888	7/28/2005	\$554.00	
15082	ABC Courier Service 8888	8/5/2005	\$277.25	
15214	ABC Courier Service 8888	8/20/2005	\$410.50	
15246	ABC Courier Service 8888	8/20/2005	\$294.25	
15268	ABC Courier Service 8888	8/20/2005	\$118.30	
15343	ABC Courier Service 8888	8/31/2005	\$306.90	
15373	ABC Courier Service 8888	9/1/2005	\$275.65	
15494	ABC Courier Service 8888	9/22/2005	\$95.35	
15078	ABC Courier Service 8888	9/7/2005	\$277.25	\$4,941.35
31669960	Adecco USA 18662	8/4/2004	\$392.28	
31813892	Adecco USA 18662	8/4/2004	\$457.66	
31944544	Adecco USA 18662	8/4/2004	\$373.60	
31813992	Adecco USA 18662	8/4/2004	\$429.64	
32218250	Adecco USA 18662	8/4/2004	\$518.37	
32383709	Adecco USA 18662	8/4/2004	\$401.62	
31670068	Adecco USA 18662	8/4/2004	\$410.96	
32103124	Adecco USA 18662	8/4/2004	\$429.64	
31944572	Adecco USA 18662	8/4/2004	\$448.32	
32218283	Adecco USA 18662	8/4/2004	\$336.24	
32103164	Adecco USA 18662	8/4/2004	\$336.24	
32384052	Adecco USA 18662	8/4/2004	\$448.32	
32530811	Adecco USA 18662	8/17/2004	\$607.10	
32530904	Adecco USA 18662	8/17/2004	\$448.32	
32602631	Adecco USA 18662	8/18/2004	\$289.54	
32602788	Adecco USA 18662	8/18/2004	\$467.00	
32759184	Adecco USA 18662	9/2/2004	\$364.26	
32911401	Adecco USA 18662	9/23/2004	\$280.20	
32985653	Adecco USA 18662	9/23/2004	\$130.76	
32911483	Adecco USA 18662	9/23/2004	\$448.32	
32985836	Adecco USA 18662	9/23/2004	\$467.00	
34066024	Adecco USA 18662	11/4/2004	\$65.38	
34229422	Adecco USA 18662	11/11/2004	\$93.40	
34542899	Adecco USA 18662	12/20/2004	\$74.72	
61447402	Adecco USA 18662	4/11/2005	\$239.25	
61464585	Adecco USA 18662	4/18/2005	\$189.75	
61501942	Adecco USA 18662	5/2/2005	\$750.75	
61536504	Adecco USA 18662	5/16/2005	\$330.00	
61553743	Adecco USA 18662	5/23/2005	\$173.25	
61590604	Adecco USA 18662	6/6/2005	\$272.25	
61608151	Adecco USA 18662	6/13/2005	\$330.00	
61625604	Adecco USA 18662	6/20/2005	\$148.50	
61643145	Adecco USA 18662	6/27/2005	\$189.75	
61662686	Adecco USA 18662	7/4/2005	\$503.25	
61697566	Adecco USA 18662	7/18/2005	\$412.50	
61735217	Adecco USA 18662	8/1/2005	\$82.50	
61643145	Adecco USA 18662	6/19/2005	\$806.40	
61715085	Adecco USA 18662	7/24/2005	\$737.28	
61735217	Adecco USA 18662	7/31/2005	\$737.28	
61643145	Adecco USA 18662	6/26/2005	\$576.00	
61662686	Adecco USA 18662	7/3/2005	\$1,105.92	
61680159	Adecco USA 18662	7/10/2005	\$57.60	\$16,361.12
092061	AUS Consulting 11085	9/30/2004	\$5,650.51	
91842	AUS Consulting 11085	9/30/2004	\$2,435.00	
092347	AUS Consulting 11085	10/4/2004	\$8,771.61	
92635	AUS Consulting 11085	11/1/2004	\$7,200.00	
92915	AUS Consulting 11085	12/6/2004	\$5,248.89	
093121	AUS Consulting 11085	2/2/2005	\$2,865.25	
93432	AUS Consulting 11085	3/15/2005	\$2,097.30	
093432	AUS Consulting 11085	4/11/2005	\$760.00	
94185	AUS Consulting 11085	5/24/2005	\$2,640.09	
93982	AUS Consulting 11085	5/24/2005	\$6,799.62	
94522	AUS Consulting 11085	7/6/2005	\$5,546.45	
94791	AUS Consulting 11085	7/22/2005	\$7,220.00	
95059	AUS Consulting 11085	8/31/2005	\$10,508.53	
				\$67,743.25
8376088	Bank of America Leasing 8534	5/16/2005	\$1,599.55	
8429146	Bank of America Leasing 8534	7/6/2005	\$1,822.98	
8466655	Bank of America Leasing 8534	7/7/2005	\$1,531.30	
8511703	Bank of America Leasing 8534	8/20/2005	\$1,669.85	
8602189	Bank of America Leasing 8534	9/26/2005	\$1,531.30	
8564264	Bank of America Leasing 8534	8/31/2005	\$1,531.30	\$9,686.28
2	Baryenbruch & Company 21048	3/15/2005	\$12,075.00	
1	Baryenbruch & Company 21048	3/15/2005	\$3,985.00	
3	Baryenbruch & Company 21048	4/11/2005	\$10,710.00	
4	Baryenbruch & Company 21048	5/24/2005	\$534.60	\$27,304.60

1	Black & Veatch Corporation 20629	9/30/2004	\$4,809.00	
BSG09041	Black & Veatch Corporation 20629	9/30/2004	\$46,961.37	
BSG10041	Black & Veatch Corporation 20629	10/13/2004	\$36,022.93	
BSG11041	Black & Veatch Corporation 20629	11/19/2004	\$40,867.06	
BSG12041	Black & Veatch Corporation 20629	12/22/2004	\$44,989.74	
BSG01051	Black & Veatch Corporation 20629	2/15/2005	\$69,330.63	
BSG02051A	Black & Veatch Corporation 20629	3/15/2005	\$9,623.07	
BSG02051B	Black & Veatch Corporation 20629	3/15/2005	\$6,216.00	
BSG03051A	Black & Veatch Corporation 20629	4/11/2005	\$16,639.61	
BSG04051A1	Black & Veatch Corporation 20629	5/24/2005	\$7,970.60	
BSG05051	Black & Veatch Corporation 20629	6/23/2005	\$2,689.14	
BSG06051	Black & Veatch Corporation 20629	6/23/2005	\$420.00	
BSG07051	Black & Veatch Corporation 20629	7/22/2005	\$9,492.00	
BSG08051	Black & Veatch Corporation 20629	8/30/2005	\$22,382.66	\$318,413.81
1004	Blue Cod Technologies 20700	9/7/2004	\$1,485.00	
1005	Blue Cod Technologies 20700	10/14/2004	\$577.50	
959	Blue Cod Technologies 20700	10/14/2004	\$1,485.00	
1011	Blue Cod Technologies 20700	10/14/2004	\$660.00	
1036	Blue Cod Technologies 20700	11/22/2004	\$1,155.00	
1155	Blue Cod Technologies 20700	2/15/2005	\$4,455.00	
1197	Blue Cod Technologies 20700	3/15/2005	\$1,155.00	\$10,972.50
9928478	Coler & Colantonio, Inc. 8216	11/22/2004	\$13,163.12	
9928221	Coler & Colantonio, Inc. 8216	12/16/2004	\$3,594.24	
9929625	Coler & Colantonio, Inc. 8216	1/4/2005	\$385.00	
9929201	Coler & Colantonio, Inc. 8216	1/4/2005	\$1,207.69	
9929912	Coler & Colantonio, Inc. 8216	2/2/2005	\$414.18	\$18,764.23
42105	Commonwealth of Mass 16090	4/15/2005	\$3,600.00	\$3,600.00
56601	Corporate Renaissance 20621	9/7/2004	\$2,330.25	
56605	Corporate Renaissance 20621	9/27/2004	\$3,590.50	
56603	Corporate Renaissance 20621	11/19/2004	\$4,816.25	
56604	Corporate Renaissance 20621	12/14/2004	\$2,030.75	
56602	Corporate Renaissance 20621	1/4/2005	\$3,090.75	
56606	Corporate Renaissance 20621	2/15/2005	\$4,645.80	\$20,504.30
119066	Curry Printing 9998	6/23/2005	\$1,049.33	
119203	Curry Printing 9998	6/23/2005	\$1,082.09	
119745	Curry Printing 9998	6/28/2005	\$780.35	
119286	Curry Printing 9998	7/6/2005	\$337.44	
119305	Curry Printing 9998	7/6/2005	\$532.53	
119813	Curry Printing 9998	7/6/2005	\$439.71	
119950	Curry Printing 9998	7/6/2005	\$458.87	
119962	Curry Printing 9998	7/6/2005	\$7,686.96	
119877	Curry Printing 9998	7/6/2005	\$1,641.34	
117175	Curry Printing 9998	7/22/2005	\$524.30	
120084	Curry Printing 9998	7/22/2005	\$612.91	
120101	Curry Printing 9998	7/22/2005	\$1,289.74	
120103	Curry Printing 9998	7/22/2005	\$153.86	
120120	Curry Printing 9998	7/22/2005	\$623.58	
120121	Curry Printing 9998	7/22/2005	\$447.85	
120522	Curry Printing 9998	7/22/2005	\$1,172.03	
120631	Curry Printing 9998	8/4/2005	\$1,215.88	
121082	Curry Printing 9998	8/20/2005	\$964.31	
121863	Curry Printing 9998	8/31/2005	\$1,117.40	
121981	Curry Printing 9998	8/31/2005	\$253.49	
122035	Curry Printing 9998	8/31/2005	\$2,403.59	\$24,787.56
139505	Dan Yardley 9996	7/22/2005	\$28,900.00	
139705	Dan Yardley 9996	8/20/2005	\$6,100.00	
139905	Dan Yardley 9996	9/15/2005	\$2,100.00	\$37,100.00
15306	Farmer Arsenault Brock LLC 9997	6/23/2005	\$242.30	
15308	Farmer Arsenault Brock LLC 9997	6/23/2005	\$362.95	
15311	Farmer Arsenault Brock LLC 9997	6/23/2005	\$159.00	
15314	Farmer Arsenault Brock LLC 9997	6/23/2005	\$780.90	
15638	Farmer Arsenault Brock LLC 9997	7/22/2005	\$1,680.55	
15631	Farmer Arsenault Brock LLC 9997	7/22/2005	\$2,554.80	
15625	Farmer Arsenault Brock LLC 9997	7/22/2005	\$1,841.95	
15620	Farmer Arsenault Brock LLC 9997	7/22/2005	\$1,936.10	
15613	Farmer Arsenault Brock LLC 9997	7/22/2005	\$2,245.45	
15606	Farmer Arsenault Brock LLC 9997	7/22/2005	\$3,294.55	
15599	Farmer Arsenault Brock LLC 9997	7/22/2005	\$3,684.60	
15705	Farmer Arsenault Brock LLC 9997	8/1/2005	\$2,460.65	
15715	Farmer Arsenault Brock LLC 9997	8/1/2005	\$2,648.95	
15720	Farmer Arsenault Brock LLC 9997	8/1/2005	\$2,460.65	
15764	Farmer Arsenault Brock LLC 9997	8/20/2005	\$1,478.80	
15867	Farmer Arsenault Brock LLC 9997	8/20/2005	\$2,823.80	
15769	Farmer Arsenault Brock LLC 9997	8/20/2005	\$3,133.15	
15776	Farmer Arsenault Brock LLC 9997	8/20/2005	\$1,815.05	
15781	Farmer Arsenault Brock LLC 9997	8/20/2005	\$2,124.40	
15792	Farmer Arsenault Brock LLC 9997	8/20/2005	\$1,438.45	
15786	Farmer Arsenault Brock LLC 9997	8/20/2005	\$2,729.65	
15877	Farmer Arsenault Brock LLC 9997	8/20/2005	\$685.25	
15894	Farmer Arsenault Brock LLC 9997	8/20/2005	\$2,366.50	
15899	Farmer Arsenault Brock LLC 9997	8/20/2005	\$3,052.45	
15908	Farmer Arsenault Brock LLC 9997	8/20/2005	\$3,133.15	
15913	Farmer Arsenault Brock LLC 9997	8/20/2005	\$3,375.25	
15919	Farmer Arsenault Brock LLC 9997	8/20/2005	\$1,747.80	
15924	Farmer Arsenault Brock LLC 9997	8/20/2005	\$1,290.50	
15929	Farmer Arsenault Brock LLC 9997	8/31/2005	\$456.60	\$58,004.20

	Federal Express 9999	2/21/2005	\$64.72	
	Federal Express 9999	5/31/2005	\$337.61	
	Federal Express 9999	6/30/2005	\$1,032.04	
	Federal Express 9999	7/30/2005	\$4,000.28	
	Federal Express 9999	8/4/2005	\$186.18	
	Federal Express 9999	8/15/2005	\$876.06	
	Federal Express 9999	8/22/2005	\$493.31	
	Federal Express 9999	8/29/2005	\$759.25	
	Federal Express 9999	9/5/2005	\$629.15	
	Federal Express 9999	9/19/2005	\$15.14	
	Federal Express 9999	9/12/2005	\$34.83	\$8,428.57
BSGDTE055	FitzGerald & Robbins 9994	6/23/2005	\$42,481.08	\$42,481.08
0719431R01	Hewitt Associates LLC 16782	9/16/2004	\$1,521.00	
0722356R01	Hewitt Associates LLC 16782	9/21/2004	\$6,379.00	
728932	Hewitt Associates LLC 16782	10/14/2004	\$6,027.00	
729034	Hewitt Associates LLC 16782	10/14/2004	\$12,404.00	
734988	Hewitt Associates LLC 16782	11/18/2004	\$2,331.00	
737457	Hewitt Associates LLC 16782	11/30/2004	\$3,882.00	
749721	Hewitt Associates LLC 16782	3/15/2005	\$1,851.00	
749807	Hewitt Associates LLC 16782	3/15/2005	\$5,065.00	
738329R01	Hewitt Associates LLC 16782	3/15/2005	\$10,292.00	
753880	Hewitt Associates LLC 16782	4/11/2005	\$1,449.00	
763412	Hewitt Associates LLC 16782	6/23/2005	\$7,271.00	
765825	Hewitt Associates LLC 16782	7/6/2005	\$2,231.00	
770178	Hewitt Associates LLC 16782	7/19/2005	\$4,062.00	
779550	Hewitt Associates LLC 16782	9/15/2005	\$919.00	
778356	Hewitt Associates LLC 16782	8/31/2005	\$3,697.00	\$69,381.00
BOS05070052	IKON 1111	6/17/2005	\$2,184.21	
BOS05060100	IKON 1111	6/24/2005	\$4,072.95	
BOS05060649	IKON 1111	6/27/2005	\$10,269.79	
BOS05060638	IKON 1111	6/29/2005	\$4,181.79	
BOS05070049	IKON 1111	6/30/2005	\$4,063.66	
BOS05070008	IKON 1111	7/1/2005	\$455.18	
BOS05070018	IKON 1111	7/1/2005	\$542.90	
BOS05070035	IKON 1111	7/1/2005	\$2,011.43	
BOS05070038	IKON 1111	7/1/2005	\$222.08	
BOS05070025	IKON 1111	7/2/2005	\$413.44	
BOS05070026	IKON 1111	7/2/2005	\$105.53	
BOS05070027	IKON 1111	7/2/2005	\$1,016.35	
BOS05070037	IKON 1111	7/2/2005	\$1,602.51	
BOS05070040	IKON 1111	7/3/2005	\$4,846.28	
BOS05070044	IKON 1111	7/3/2005	\$61.55	
BOS05070045	IKON 1111	7/3/2005	\$262.71	
BOS05070046	IKON 1111	7/3/2005	\$173.88	
BOS05070056	IKON 1111	7/4/2005	\$668.12	
BOS05070116	IKON 1111	7/5/2005	\$13,488.93	
BOS05070029	IKON 1111	7/6/2005	\$189.00	
BOS05070091	IKON 1111	7/7/2005	\$978.08	
BOS05070107	IKON 1111	7/7/2005	\$4,300.85	
BOS05070130	IKON 1111	7/8/2005	\$3,316.16	
BOS05070444	IKON 1111	7/22/2005	\$88.52	
BOS05070601	IKON 1111	7/29/2005	\$4,630.24	
BOS05090045	IKON 1111	9/15/2005	\$1,286.46	
BOS05080478	IKON 1111	8/22/2005	\$5,853.96	
BOS05070478	IKON 1111	8/19/2005	\$5,853.96	\$77,140.52
95757155	Konica-Minolta (Copier Supplies) 20489	7/5/2005	\$560.00	
95757167	Konica-Minolta (Copier Supplies) 20489	7/6/2005	\$560.00	
95782085	Konica-Minolta (Copier Supplies) 20489	7/6/2005	\$560.00	
95833273	Konica-Minolta (Copier Supplies) 20489	7/6/2005	\$560.00	
95876182	Konica-Minolta (Copier Supplies) 20489	7/22/2005	\$560.00	
95920493	Konica-Minolta (Copier Supplies) 20489	8/20/2005	\$560.00	\$3,360.00
8688979	Regulatory Support 3333	6/30/2005	\$27,335.00	
8688982	Regulatory Support 3333	7/31/2005	\$115,322.00	
8688974	Regulatory Support 3333	8/31/2005	\$124,176.50	
8692491	Regulatory Support 3333	9/26/2005	\$27,566.44	
8686517	Regulatory Support 3333	9/6/2005	\$15,067.90	\$309,467.84

20040918	Management Application Consulting, Inc. 1552	9/30/2004	\$1,039.50	
20040913	Management Application Consulting, Inc. 1552	9/30/2004	\$3,324.21	
20040811	Management Application Consulting, Inc. 1552	9/30/2004	\$416.14	
20041010	Management Application Consulting, Inc. 1552	10/1/2004	\$3,385.64	
20041011	Management Application Consulting, Inc. 1552	10/1/2004	\$3,192.00	
20041017	Management Application Consulting, Inc. 1552	10/14/2004	\$1,039.50	
20041109	Management Application Consulting, Inc. 1552	11/5/2004	\$9,303.00	
20041200	Management Application Consulting, Inc. 1552	12/3/2004	\$1,189.41	
20050100	Management Application Consulting, Inc. 1552	1/7/2005	\$11,261.98	
20050200	Management Application Consulting, Inc. 1552	2/15/2005	\$8,717.54	
20050300	Management Application Consulting, Inc. 1552	3/15/2005	\$4,793.15	
20050400	Management Application Consulting, Inc. 1552	4/11/2005	\$44,718.16	
20050500	Management Application Consulting, Inc. 1552	5/24/2005	\$43,732.90	
20050605	Management Application Consulting, Inc. 1552	6/23/2005	\$9,452.63	
20050706	Management Application Consulting, Inc. 1552	7/22/2005	\$9,573.38	
20050806	Management Application Consulting, Inc. 1552	8/20/2005	\$30,998.13	
20050911	Management Application Consulting, Inc. 1552	9/2/2005	\$2,155.13	
2005100	Management Application Consulting, Inc. 1552	9/15/2005	\$1,307.25	\$189,599.65
8583186	Nixon Peabody, LLP 20638	9/14/2004	\$8,734.50	
8590674	Nixon Peabody, LLP 20638	10/13/2004	\$27,775.00	
8601369	Nixon Peabody, LLP 20638	11/19/2004	\$4,175.00	
8606241	Nixon Peabody, LLP 20638	11/24/2004	\$11,516.90	
8617466	Nixon Peabody, LLP 20638	1/4/2005	\$7,584.00	
8622236	Nixon Peabody, LLP 20638	2/2/2005	\$24,248.50	
8634019	Nixon Peabody, LLP 20638	3/15/2005	\$34,285.61	
8640764	Nixon Peabody, LLP 20638	4/11/2005	\$22,678.00	
8652586	Nixon Peabody, LLP 20638	5/24/2005	\$41,503.57	
8658531	Nixon Peabody, LLP 20638	6/23/2005	\$50,943.80	
8667114	Nixon Peabody, LLP 20638	7/6/2005	\$28,141.07	
8688983	Nixon Peabody, LLP 20638	7/31/2005	\$112,461.20	
8677713	Nixon Peabody, LLP 20638	8/20/2005	\$99,600.68	
8689313	Nixon Peabody, LLP 20638	9/26/2005	\$86,922.34	
8688973	Nixon Peabody, LLP 20638	8/31/2005	\$83,683.49	\$644,253.66
	Office Depot 7777	4/5/2005	\$427.88	
	Office Depot 7777	4/25/2005	\$319.95	
	Office Depot 7777	5/13/2005	\$524.57	
	Office Depot 7777	5/13/2005	\$387.91	
	Office Depot 7777	5/26/2005	\$286.82	
	Office Depot 7777	5/26/2005	\$512.56	
	Office Depot 7777	5/26/2005	\$515.41	
	Office Depot 7777	6/9/2005	\$394.44	
	Office Depot 7777	6/13/2005	\$57.90	
	Office Depot 7777	6/23/2005	\$517.19	
	Office Depot 7777	6/28/2005	\$150.06	
	Office Depot 7777	7/5/2005	\$273.39	\$4,368.08
1	P. Moul & Associates 18227	9/30/2004	\$1,751.00	
2	P. Moul & Associates 18227	2/15/2005	\$1,871.00	
3	P. Moul & Associates 18227	6/8/2005	\$17,921.00	
4	P. Moul & Associates 18227	7/6/2005	\$18,266.00	
5	P. Moul & Associates 18227	7/29/2005	\$9,128.00	
6	P. Moul & Associates 18227	8/31/2005	\$3,829.00	\$52,766.00
001	Pacific Economic Group 20661	9/2/2004	\$11,607.28	
002	Pacific Economic Group 20661	10/5/2004	\$2,517.92	
3	Pacific Economic Group 20661	11/3/2004	\$7,010.00	
4	Pacific Economic Group 20661	12/2/2004	\$33,787.50	
005	Pacific Economic Group 20661	2/2/2005	\$18,615.00	
6	Pacific Economic Group 20661	2/15/2005	\$40,160.96	
7	Pacific Economic Group 20661	3/15/2005	\$12,371.45	
8	Pacific Economic Group 20661	4/11/2005	\$42,840.00	
9	Pacific Economic Group 20661	6/23/2005	\$18,432.50	
10	Pacific Economic Group 20661	7/22/2005	\$38,654.21	
11	Pacific Economic Group 20661	8/20/2005	\$32,814.42	
13	Pacific Economic Group 20661	9/15/2005	\$7,875.00	\$266,686.24
2	Paul LaShoto 20447	9/30/2004	\$1,746.00	
3	Paul LaShoto 20447	9/30/2004	\$1,902.00	
004	Paul LaShoto 20447	10/14/2004	\$2,330.75	
5	Paul LaShoto 20447	11/19/2004	\$850.00	
6	Paul LaShoto 20447	12/14/2004	\$4,169.00	
7	Paul LaShoto 20447	1/4/2005	\$2,079.00	
8	Paul LaShoto 20447	2/15/2005	\$7,443.44	
11	Paul LaShoto 20447	3/15/2005	\$4,484.50	
12	Paul LaShoto 20447	5/24/2005	\$3,554.99	
13	Paul LaShoto 20447	6/23/2005	\$2,744.40	
15	Paul LaShoto 20447	7/22/2005	\$1,951.84	\$33,255.92

507019182	Stone Legal Resources Group 2222	8/31/2005	\$1,945.00	
507018595	Stone Legal Resources Group 2222	8/31/2005	\$1,630.00	
507017716	Stone Legal Resources Group 2222	8/31/2005	\$2,860.00	
507017144	Stone Legal Resources Group 2222	8/31/2005	\$3,415.00	
507016555	Stone Legal Resources Group 2222	8/31/2005	\$1,960.00	
507020385	Stone Legal Resources Group 2222	9/15/2005	\$2,050.00	
507019782	Stone Legal Resources Group 2222	9/15/2005	\$990.00	\$14,850.00
132331	Suburban Staffing, Inc. 5530	10/27/2004	\$739.50	
132468	Suburban Staffing, Inc. 5530	11/4/2004	\$739.50	
132868	Suburban Staffing, Inc. 5530	12/3/2004	\$1,183.20	
132593	Suburban Staffing, Inc. 5530	12/3/2004	\$443.70	
133245	Suburban Staffing, Inc. 5530	12/20/2004	\$1,694.69	
133513	Suburban Staffing, Inc. 5530	1/4/2005	\$739.50	
133771	Suburban Staffing, Inc. 5530	2/4/2005	\$788.80	
134040	Suburban Staffing, Inc. 5530	2/7/2005	\$677.88	
133906	Suburban Staffing, Inc. 5530	2/7/2005	\$665.55	
134434	Suburban Staffing, Inc. 5530	2/28/2005	\$493.00	
134297	Suburban Staffing, Inc. 5530	2/28/2005	\$714.85	
134963	Suburban Staffing, Inc. 5530	3/15/2005	\$912.06	
134561	Suburban Staffing, Inc. 5530	3/15/2005	\$640.90	
135119	Suburban Staffing, Inc. 5530	4/10/2005	\$603.93	
135247	Suburban Staffing, Inc. 5530	4/10/2005	\$739.50	
134987	Suburban Staffing, Inc. 5530	4/10/2005	\$345.10	
136939	Suburban Staffing, Inc. 5530	7/6/2005	\$702.53	
136819	Suburban Staffing, Inc. 5530	7/6/2005	\$1,170.88	
136422	Suburban Staffing, Inc. 5530	7/6/2005	\$665.55	
136559	Suburban Staffing, Inc. 5530	7/6/2005	\$665.55	
136289	Suburban Staffing, Inc. 5530	7/6/2005	\$764.15	
136156	Suburban Staffing, Inc. 5530	7/6/2005	\$690.20	
136027	Suburban Staffing, Inc. 5530	7/6/2005	\$394.40	
135987	Suburban Staffing, Inc. 5530	7/6/2005	\$739.50	
135778	Suburban Staffing, Inc. 5530	7/6/2005	\$912.05	
135654	Suburban Staffing, Inc. 5530	7/6/2005	\$838.10	
135629	Suburban Staffing, Inc. 5530	7/6/2005	\$1,479.00	
137061	Suburban Staffing, Inc. 5530	7/22/2005	\$1,244.86	
137185	Suburban Staffing, Inc. 5530	7/22/2005	\$936.70	
137305	Suburban Staffing, Inc. 5530	7/22/2005	\$1,466.74	
137548	Suburban Staffing, Inc. 5530	8/5/2005	\$776.48	
137427	Suburban Staffing, Inc. 5530	8/20/2005	\$924.38	
137675	Suburban Staffing, Inc. 5530	8/20/2005	\$1,022.98	
137790	Suburban Staffing, Inc. 5530	8/20/2005	\$1,078.45	
137901	Suburban Staffing, Inc. 5530	9/1/2005	\$1,207.88	
138015	Suburban Staffing, Inc. 5530	9/1/2005	\$1,651.64	
138256	Suburban Staffing, Inc. 5530	9/14/2005	\$1,022.98	
138369	Suburban Staffing, Inc. 5530	9/21/2005	\$1,189.39	
138490	Suburban Staffing, Inc. 5530	9/28/2005	\$764.15	
138132	Suburban Staffing, Inc. 5530	9/7/2005	\$1,096.94	\$35,527.14
IN00025909	The META Group 9995	5/24/2005	\$7,500.00	
IN00025909	The META Group 9995	7/22/2005	\$7,500.00	\$15,000.00
215406	Vectra Marketing Services 9993	6/23/2005	\$1,441.61	\$1,441.61
			\$2,386,190.51	\$2,386,190.51
			-\$3,507.23	-\$3,507.23
	Total to Attachment DTE-15-58(a) Page 1 of 7, Line 11a		\$2,382,683.28	\$2,382,683.28



Hewitt Associates LLC  
PO Box 95135  
Chicago, IL 60694-5135  
847-295-5000

Mr. Thomas R. Birmingham  
Bay State Gas Company and Northern  
Utilities, Inc.  
300 Friberg Parkway  
Westborough, MA 01581-5039

Bay State Gas Company  
D.T.E. 05-27  
**ORIGINAL INVOICE** Attachment DTE-15-58(h)  
Supplemental Response 6  
Page 1 of 1

September 15, 2005

Invoice #: 0779550

Our terms are Net 30 days. After 30 days, interest accrues  
from invoice date at an annual rate of nine percent.

Federal Taxpayer Identification#: 36-2235791

---

August 2005 Invoice for Services Through the 31st:

**Bay State Rate Case Assistance**

Support for Responses Related to Question  
on PBOP and Compensation Testimony

1.75 Hours @ \$500 = \$875

\$ 875.

Miscellaneous Expenses Allocable to the Above  
Assignment (5%)

44.

\$ 919.

*JAB  
ok to pay*

# Suburban Staffing

30 LYMAN STREET • P.O. BOX 1450  
WESTBOROUGH, MA 01581-6450  
TELEPHONE (508) 366-8521 FAX (508) 898-9568  
e-mail: ar@suburbanstaffing.com  
www.suburbanstaffing.com

## INVOICE

Bay State Gas Company  
D.T.E. 05-27  
Attachment DTE-15-58(j)  
Supplemental Response 6  
INVOICE DATE Page 1 of 14

ACCOUNT #

INVOICE #

1294

138490

09/28/2005

Page 1 of 1

### ACCOUNT

#### BILLED:

Bay State Gas  
Attn: Susan Kullberg  
300 Friberg Parkway  
Westborough, MA 01581

DATE	DESCRIPTION	BILL HOURS	BILL RATE	AMOUNT
09/24/2005	Houle, Kathy	31.00	24.65	764.15
	1727 Regular			

REF# Susan Kullberg

Thank you for your business.

764.15

PLEASE DETACH AND RETURN WITH YOUR PAYMENT

INVOICE NUMBER	ACCOUNT NUMBER	ACCOUNT NAME	PAYMENT DUE DATE	AMOUNT DUE	PLEASE ENTER AMOUNT PAID
138490	1294	Bay State Gas	DUE UPON RECEIPT	764.15	

### MAIL PAYMENTS TO:

Suburban Staffing, Inc.  
30 LYMAN STREET  
P.O. BOX 1450  
WESTBOROUGH, MA 01581-6450

PLEASE MAKE CHECKS PAYABLE TO:  
Suburban Staffing, Inc.



# Suburban Staffing

30 LYMAN STREET • P.O. BOX 1450  
WESTBOROUGH, MA 01581-6450  
TELEPHONE (508) 366-8521 FAX (508) 898-9568  
e-mail: ar@suburbanstaffing.com  
www.suburbanstaffing.com

## INVOICE

Bay State Gas Company  
D.T.E. 05-27  
Attachment DTE-15-58(j)  
Supplemental Response 6  
INVOICE DATE Page 2 of 14

ACCOUNT #

INVOICE #

1294

138256

09/14/2005

Page 1 of 1

### ACCOUNT

#### BILLED:

Bay State Gas  
Attn: Susan Kullberg  
300 Friberg Parkway  
Westborough, MA 01581

DATE	DESCRIPTION	BILL HOURS	BILL RATE	AMOUNT
------	-------------	---------------	--------------	--------

09/10/2005 Houle, Kathy

REF# Susan Kullberg

1727 Regular  
1727 Overtime

40.00 24.65  
1.00 36.98

986.00  
36.98

Thank you for your business.

1,022.98

OK to pay  
JAB

PLEASE DETACH AND RETURN WITH YOUR PAYMENT

INVOICE NUMBER	ACCOUNT NUMBER	ACCOUNT NAME	PAYMENT DUE DATE	AMOUNT DUE	PLEASE ENTER AMOUNT PAID
138256	1294	Bay State Gas	DUE UPON RECEIPT	1,022.98	

### MAIL PAYMENTS TO:

Suburban Staffing, Inc.  
30 LYMAN STREET  
P.O. BOX 1450  
WESTBOROUGH, MA 01581-6450

PLEASE MAKE CHECKS PAYABLE TO:  
Suburban Staffing, Inc.

# Suburban Staffing

30 LYMAN STREET • P.O. BOX 1450  
WESTBOROUGH, MA 01581-6450  
TELEPHONE (508) 366-8521 FAX (508) 898-9568  
e-mail: ar@suburbanstaffing.com  
www.suburbanstaffing.com

## INVOICE

Bay State Gas Company  
D.T.E. 05-27  
Attachment DTE-15-58(j)  
Supplemental Response 6  
INVOICE DATE Page 3 of 14

ACCOUNT #

1294

INVOICE #

138369

09/21/2005

Page 1 of 1

### ACCOUNT

#### BILLED:

Bay State Gas  
Attn: Susan Kullberg  
300 Friberg Parkway  
Westborough, MA 01581

DATE	DESCRIPTION	BILL HOURS	BILL RATE	AMOUNT
------	-------------	---------------	--------------	--------

09/17/2005 Houle, Kathy

REF# Susan Kullberg

1727 Regular  
1727 Overtime

40.00 24.65  
5.50 36.98

986.00  
203.39

Thank you for your business.

1,189.39

OK to pay  
JRB

PLEASE DETACH AND RETURN WITH YOUR PAYMENT

INVOICE NUMBER	ACCOUNT NUMBER	ACCOUNT NAME	PAYMENT DUE DATE	AMOUNT DUE	PLEASE ENTER AMOUNT PAID
-------------------	-------------------	-----------------	---------------------	---------------	-----------------------------

138369

1294

Bay State Gas

DUE UPON  
RECEIPT

1,189.39

### MAIL PAYMENTS TO:

Suburban Staffing, Inc.  
30 LYMAN STREET  
P.O. BOX 1450  
WESTBOROUGH, MA 01581-6450

PLEASE MAKE CHECKS PAYABLE TO:  
Suburban Staffing, Inc.

[illegible]

Timesheet For Associate: LaPointe, Lisa Vendor: Adecco NA Client: NiSource Corporate Services Co. Assignment: 7879489-1 Sec

Click on the cell  
You want to edit

Calculate  $\frac{\text{Total OT}}{\text{Total DT}}$

Status History

Timesheet For Associate: LaPointe, Lisa Vendor: Adecco NA Client: NiSource Corporate Services Co. Assignment: 7879489-1 Sec

[illegible]

### Status History

You are here: [Timesheet Current](#) > [Details](#) >

Timesheet For Associate: LaPointe, Lisa Vendor: Adecco NA Client: NiSource Corporate Services Co. Assignment: 7879489-1 Sec

[illegible]

Status History

You are here: [Timesheet Current >Details >](#)

Timesheet For Associate: LaPointe, Lisa Vendor: Adecco NA Client: NiSource Corporate Services Co. Assignment: 7879489-1 Sec

Revisions	Click on the cell You want to edit	Pay Period Start	Pay Period End
10-Jul-2005 71		4-Jul-2005	10-Jul-2005

Project	Pay Code	Adhoc Project Code	Mon 4	Tue 5	Wed 6	Thu 7	Fri 8	Sat 9	Sun 10	Total
		00000-518210	*** ***	*** ***	*** ***	2.50 ***	*** ***	*** ***	*** ***	2.50
Total Regular Hours										
Total OT										
Calculate Total DT										

Total Regular Hours  
Total OT  
Total DT  
Calculate

Calculate

### Status History

Revisions

24-Jul-2005 / 1

Click on the cell

You want to edit

18-Jul-2005

Pay Period Start

24-Jul-2005

Pay Period End

[illegible]

Status History



Timesheet For Associate: LaPointe, Lisa Vendor: Adecco NA Client: NiSource Corporate Services Co. Assignment: 7879489-1 Sec

[illegible]

Status History

FEDERAL I.D. NO. 16-0764720

**Nixon Peabody LLP**

Attorneys at Law  
100 Summer Street  
Boston, MA 02110-2131  
(617) 345-1000  
FAX: (617) 345-1300

September 26, 2005

NiSource Corporate Services  
Patricia M. French  
300 Friberg Parkway  
Westborough, MA 01581

Invoice No. 8692491  
Account: 034293  
Deweese, Robert L. Jr.  
Terms: Due Upon Receipt

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FOR PROFESSIONAL SERVICES RENDERED through September 26, 2005, including:

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MATTER NO. 000004      RATE CASE - REGULATORY SUPPORT

**For Professional Fees:**

<u>Date</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Description of Services</u>
09/01/05	M. Cole	9.00	Exhibit and final discovery support. Cite check brief.
09/01/05	S. Phillips	8.50	Conference with team members regarding tasks and status. Review confidential responses for missing responses. Prepare e-mail to M. Swiatocka regarding specific items missing from certain responses. Search system for responses and print same. Telephone call with M. Swiatocka to determine status of missing or incomplete confidential responses.
09/02/05	M. Cole	6.00	Exhibit and final discovery support. Cite check brief.
09/02/05	S. Phillips	6.30	Telephone conference with M. Swiatocka regarding confidential responses. Compile scanned e-mail responses to M. Swiatocka for Hearing Room Binders. Review and print e-mail responses received from M. Swiatocka. Compile and refile all confidential responses. Conferences with M. Cole regarding same. Conference call with team members regarding briefing schedule and status of tasks. Update files with remaining information and record requests.
09/02/05	P. Ziminski	9.30	Post hearing cleanup; team meeting (with P. French and R. Deweese); status telephone conference with R. Deweese; edits to PBR section of initial brief of Bay State.
09/05/05	M. Cole	4.70	Exhibit and final discovery support. Cite check brief.
09/05/05	P. Ziminski	9.40	Confirmation of information underlying citations contained in initial brief of Bay State with M. Cole.
09/06/05	M. Cole	7.90	Exhibit and final discovery support. Cite check brief.

Nixon Peabody LLP  
Invoice # 8692491 Page 2

<u>Date</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Description of Services</u>
09/07/05	M. Cole	7.30	Exhibit and final discovery support. Cite check brief.
09/08/05	M. Cole	6.90	Exhibit and final discovery support. Cite check brief.
09/09/05	M. Cole	9.10	Exhibit and final discovery support. Cite check brief.
09/10/05	M. Cole	7.20	Exhibit and final discovery support. Cite check brief.
09/11/05	M. Cole	9.50	Exhibit and final discovery support. Cite check brief.
09/11/05	S. Phillips	9.50	Cite check brief. Input changes to brief. Conferences with team members regarding task assignments and timetable.
09/12/05	M. Cole	12.00	Exhibit and final discovery support. Cite check brief.
09/12/05	S. Phillips	14.00	Input revisions to brief. Review documents for references cited in brief. Review and revise draft brief for errors and consistency. Compile cite updates from brief sections and copy same. Conference with team members regarding tasks and timetable of events.
09/13/05	M. Cole	15.70	Exhibit and final discovery support. Cite check brief.
09/13/05	S. Phillips	10.00	Review remaining portion of draft brief for errors and consistency. Print draft of revised brief. Continue cite checking. Transfer updated cites to draft brief. Compile revised sections for e-mailing to P. Ziminski in Boston. Review draft brief sections for consistency. Compile revised sections for e-mailing to P. Ziminski. Conference with team members. Print and compile confidential response attachments to DTE-15-55.
09/14/05	M. Cole	3.00	Hearing support, follow-up.
09/14/05	S. Phillips	5.00	Scan executed vendor contracts for T. Birmingham. Review Confidential Exhibits and obtain date of filing and date of response for each Exhibit. Prepare list of Confidential Exhibits.
09/15/05	S. Phillips	0.50	Conference with P. Ziminski regarding status of confidential exhibits.
09/15/05	P. Ziminski	3.50	Drafting case map memo for client; organizing files.
09/16/05	S. Phillips	0.80	Proof draft of confidential exhibits. Revise and finalize list. E-mail list to T. Birmingham.

TOTAL HOURS: 175.10

TOTAL FEES: \$27,546.00

<u>TIMEKEEPER SUMMARY</u>			
<u>Timekeeper</u>	<u>Rate</u>	<u>Hours</u>	<u>Fees</u>
<u>Associates</u>			
M. Cole	150.00	98.30	14,745.00
P. Ziminski	220.00	22.20	4,884.00

Nixon Peabody LLP  
Invoice # 8692491 Page 3

Associates Totals	120.50	19,629.00
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<u>Paralegals</u>			
S. Phillips	145.00	54.60	7,917.00
Total All Timekeepers:	<u>175.10</u>	<u>175.10</u>	<u>\$27,546.00</u>

For Charges and Disbursements:

<u>Description</u>	<u>Amount</u>
Color Copies	19.00
Copier	1.44

TOTAL CHARGES AND DISBURSEMENTS: \$ 20.44

TOTAL FOR MATTER -- RATE CASE - REGULATORY SUPPORT: \$27,566.44

Total Fees.....	\$	27,546.00
Total Charges and Disbursements .....	\$	20.44
Total Time and Costs .....	\$	27,566.44
TOTAL FOR STATEMENT:		<u>\$27,566.44</u>

\*\*\*\* Remittance Information \*\*\*\*

FEDERAL I.D. NO. 16-0764720

RETURN PAYMENT TO: NIXON PEABODY LLP  
100 Summer Street  
Boston, MA 02110-2131  
(617) 345-1000  
FAX: (617) 345-1300

Client: 034293 NiSource Corporate Services  
Patricia M. French  
300 Friberg Parkway  
Westborough, MA 01581

Client/Matter Number: 034293.000004  
Matter Name: Rate Case - Regulatory Support  
Invoice Number: 8692491  
Date of Invoice: 09/26/05  
Terms: Due Upon Receipt

Invoice Amount: \$ 27,566.44  
Previous Outstanding Balance \$ 266,833.50  
for Matters on this bill:  
Total Due: \$ 294,399.94

To ensure prompt application of your payment, please reference the invoice number on your check and return this page with payment.

Wire/ACH/Electronic Payment Information:

Bank Name: JPMorgan Chase Bank  
Rochester, NY 14623

Acct. Name: Nixon Peabody, LLP

SWIFT CODE: CHASUS33

Invoice No: 8692491  
Nixon Peabody Accounting Department  
585 263-1077

Check or Credit Card Charge Options:

Invoice(s) Paid: \_\_\_\_\_

Total Amount Of Payment: \$ \_\_\_\_\_

Method of Payment (Please Check)

☐ Check enclosed  
☐ VISA ☐ Master Card ☐ Discover ☐ American Express

List Credit Card Number

\_\_\_\_\_

Exp. Date \_\_\_\_\_

Signature: \_\_\_\_\_

BANC OF AMERICA LEASING  
LEASE ADMINISTRATION CENTER  
P.O. BOX 371992  
PITTSBURGH PA 152507992

Date Due: 10/15/05  
Invoice No: 8602189  
Previous Amt Due: \$0.00  
Current Amt Due: \$1,677.14  
Total Amt Due: \$1,677.14  
After 10/15/05 Pay: \$1,822.98  
AMT ENCLOSED \$1,677.14



Change of Address? ☐  
Please check box and complete other side.

REMIT TO:

Attachment DTE-15-38(k)  
Page Supplemental Response 6  
Page 1 of 6

0000026912 \*\*\*\*\*AUTO\*\* MIXED AADC 350

BAY STATE GAS  
SUSAN KULLBERG  
300 FRIBERG PARKWAY  
WESTBOROUGH MA 01581-3900

BANC OF AMERICA LEASING  
LEASE ADMINISTRATION CENTER  
P.O. BOX 371992  
PITTSBURGH PA 152507992

0000000006508602189008 2162433 00000100018229800016771400016771400021624332

PLEASE RETURN TOP PORTION WITH YOUR PAYMENT TO ENSURE PROPER CREDIT

For assistance with your invoice....	PHONE	FAX	TIME	E-MAIL
CUSTOMER SERVICE INQUIRIES	800-959-5936	248-764-5771	8:30 AM TO 6:30 PM EASTERN	customersvc@leaseadmincenter.com
INSURANCE INQUIRIES	800-913-9331	425-649-5918	9:00 AM TO 8:00 PM EASTERN	cs-seattle@plfs.com

FOR FURTHER EXPLANATION, PLEASE REFER TO THE BACK OF YOUR INVOICE  
FOR MAINTENANCE, SERVICE AND SUPPLIES, PLEASE CONTACT YOUR LOCAL DEALER

Invoice Number 8602189-05

Contract Number							
Customer Reference Number							
Equipment Description							
Model Number	Equipment Location	Detailed Charge Description	Payment Due Date	Billing Period	Payment Amount	Sales/Use Tax	Total Due
2162433-000	300 FRIBERG PARKWAY	PAYMENT	10/15/05	10/01/05 - 10/31/05	1,458.38	72.92	1,531.30
Your Ref: KONICA COPIER	WESTBOROUGH, MA 01581	LATE CHARGE	10/15/05	AS OF 08/25	145.84		145.84
DI7210							
56RE03881							
CONTRACT SUBTOTAL							1,677.14

TOTAL CURRENT CHARGES 1,677.14

*Rate Case*  
*JRB ok to pay*



**Document Efficiency**  
**At Work.**

# INVOICE

IKON Office Solutions - Boston, MA - Graphics  
Phone: (617) 371-1300 Fax: (617) 371-1310  
Federal ID: 230334400

Invoice #	BOG05090045
Invoice Date:	09/15/2005
Due Date:	09/25/2005
Terms:	Bay State Gas Company
Customer Code:	Net 10 Days
Natl ID:	Attachment DTE-15-58(k)
	Supplemental Response 6
	Page 2 of 6

**SOLD TO:**

**NIXON PEABODY LLP**  
100 SUMMER STREET  
BOSTON, MA 02110

**SHIP TO:**

**NIXON PEABODY LLP**  
100 SUMMER STREET  
BOSTON, MA 02110

Attn: ROB DEWEES

Price using: STANDARD Price

Reference / Case # BAYSTATE GAS	Reference 2	Reference 3	Account Manager Kyle Blossom
------------------------------------	-------------	-------------	---------------------------------

Salesorder	Order Date	Ordered By	Quantity	Unit Price	Extension
SO-0509-0090	09/14/2005	ROB DEWEES - NIXON PEABODY LLP			
		B&W Copies A - Autofeed	15,360.00	0.070	1,075.20
		Binds - GBC	60.00	2.500	150.00

*Job ok to pay*

<b>Please Pay From This Invoice</b>  Your signature below is an agreement that the above described work has been authorized and received. The party above assures payment of this invoice within 10 days. Interest at the rate of the lesser 1.5% per month or the maximum legal rate will be charged on invoices not paid in 10 days. Customer agrees to pay legal fees incurred in the collection of past due accounts.	Taxable Sales:	1,225.20
	Sales Tax:	61.26
	Non-Taxable:	0.00
	Postage:	0.00
	Delivery:	0.00
	<b>PAY THIS AMOUNT</b>	<b>1,286.46</b>

Received and Approved by: \_\_\_\_\_ Date: \_\_\_\_\_

Please pay from this copy. The party named on this bill is held responsible for payment.

**Payment From:**  
**NIXON PEABODY LLP**  
100 SUMMER STREET  
BOSTON, MA 02110

<b>Amount Enclosed</b>
\$

**Invoice: BOG05090045**  
Invoice Date: 09/15/2005  
Due Date: 09/25/2005  
Customer Code: BOG-NIXO  
Natl ID: 34611

**Please Remit To:**  
**IKON Office Solutions**  
Northeast District - BOG  
P O Box 827164  
Philadelphia, PA 19182-7164

**PAY THIS AMOUNT \$ 1,286.46**



**Document Efficiency**  
**At Work.™**

# INVOICE

IKON Office Solutions - Boston, MA  
Phone: (617) 371-1300 Fax:  
Federal ID: 230334400

Invoice #	BOS05080478
Invoice Date:	08/22/2005
Due Date:	09/01/2005
Terms:	Bay State Gas Company Net 10 Days
Customer Code:	Attachment 05-27
Natl ID:	Supplemental Response 6

**SOLD TO:**  
**NIXON PEABODY LLP**  
100 SUMMER ST  
BOSTON, MA 02110

**SHIP TO:**  
**NIXON PEABODY LLP**  
100 SUMMER ST  
BOSTON, MA 02110

Attn: ROB DEWEES

Price using: STANDARD Price

Price using: STANDARD Price							
Reference / Case # BAY STATE GAS		Reference 2		Reference 3		Account Manager Kyle Blossom	
Salesorder	Order Date	Ordered By		Quantity	Unit Price		Extension
SO-0508-0459	08/19/2005	ROB DEWEES - NIXON PEABODY LLP					
		B&W Copies D - Heavy Litigation		37,168.00	0.150		5,575.20

*OK to pay*  
*JRB*

<p><b>Please Pay From This Invoice</b></p> <p>Your signature below is an agreement that the above described work has been authorized and received. The party above assures payment of this invoice within 10 days. Interest at the rate of the lesser 1.5% per month or the maximum legal rate will be charged on invoices not paid in 10 days. Customer agrees to pay legal fees incurred in the collection of past due accounts.</p>	Taxable Sales:	5,575.20
	Sales Tax:	278.76
	Non-Taxable:	0.00
	Postage:	0.00
	Delivery:	0.00
	<b>PAY THIS AMOUNT</b>	<b>5,853.96</b>

Received and Approved by: \_\_\_\_\_ Date: \_\_\_\_\_

Please pay from this copy. The party named on this bill is held responsible for payment.

**Payment From:**  
**NIXON PEABODY LLP**  
100 SUMMER ST  
BOSTON, MA 02110

<b>Amount Enclosed</b>
\$

**Invoice:** BOS05080478  
Invoice Date: 08/22/2005  
Due Date: 09/01/2005  
Customer Code: BOS-PEA0  
Natl ID: 34611

**Please Remit To:**  
**IKON Office Solutions**  
Northeast District - BOS  
P O Box 827164  
Philadelphia, PA 19182-7164

**PAY THIS AMOUNT \$ 5,853.96**



# A & P Courier Service, Inc.

D/B/A ABC Courier Service  
P.O.Box 647  
Marlborough, MA 01752

Bay State Gas Company  
D.T.E. 05-27  
Attachment DTE-15-58(k)  
Supplemental Response 6  
Page 4 of 6

## Invoice

### Accounts Payable

Nisource  
300 Friberg Pkwy  
Westboro MA 01581  
Attn: Susan Kullberg

Date

Invoice #

9/22/2005

15494

P.O. No.		Terms	Due Date
		Due on receipt	9/22/2005
Service Date	ABC Delivery Information	Customer Ref Info	Amount
9/16/2005	0916059905-Westboro, MA to Boston, MA	Susan K	63.50
9/16/2005	Tolls		2.60
9/16/2005	0916059906-Westboro, MA to Boston, MA	Susan K	29.25
Total Due			\$95.35

JAB  
ok to pay

A fuel surcharge of 17% has been added to each invoice. There is a finance charge of 1.5% on all accounts with balances over 30 days. PLEASE REFERENCE INVOICE # FOR PAYMENT. Any accounts with balances over 45 days are subject to being placed on COD status.

# FedEx Express Shipment Detail By Payor Type (Original)

Picked up: Sep 06, 2005

Payor: Shipper

Reference: MA RC

Bay State Gas Company

D.T.E. 05-27

Attachment DTE-15-58(k)

Supplemental Response 6

Page 5 of 6

Fuel Surcharge - FedEx has applied a fuel surcharge of 13.00% to this shipment.

- Distance Based Pricing, Zone 2
- FedEx has audited this shipment for correct packages, weight, and service. Any changes made are reflected in the invoice amount.

INET

Tracking ID 791193882256  
 Service Type FedEx Priority Overnight  
 Package Type Customer Packaging  
 Zone 2  
 Packages 1  
 Weight 20.0 lbs, 9.1 kgs  
 Delivered Sep 07, 2005 09:01  
 Svc Area A1  
 Signed by L.MULLEN  
 FedEx Use 000000000/0001486/

Sender

Susan Kullberg  
 BAY STATE GAS  
 300 FRIBERG PARKWAY  
 WESTBOROUGH MA 01581 US

Recipient

Robert Dewees, Jr.  
 Nixon Peabody, LLP  
 100 Summer Street  
 BOSTON MA 02110 US

Transportation Charge  
 Fuel Surcharge  
 Discount

34.25

4.01

-3.43

**Total Charge**

USD \$

**34.83**



Invoice Number: 5-590-57364  
Invoice Date: Sep 19, 2005  
Account Number: 1089-3646-0  
Page: 3 of 13

Bay State Gas Company  
D.T.E. 05-27  
Attachment DTE-15-58(k)  
Supplemental Response 6  
Page 6 of 6

## FedEx Express Shipment Summary by Payor Type

Original			
<b>Shipper</b>			
Number of Shipments	30		
Transportation Charges	648.65		
Base Discount	-73.68		
Special Handling Charges	78.76		
<b>TOTAL</b>	<b>USD \$</b>	<b>653.73</b>	
<b>Number of Shipments</b>			
			<b>30</b>
<b>Total Charges</b>		<b>USD \$</b>	<b>653.73</b>
<b>Third Party</b>			
Number of Shipments	1		
Transportation Charges	17.55		
Base Discount	-2.81		
Special Handling Charges	1.92		
<b>TOTAL</b>	<b>USD \$</b>	<b>16.66</b>	
<b>Number of Shipments</b>			
			<b>1</b>
<b>Total Charges</b>		<b>USD \$</b>	<b>16.66</b>
<b>TOTAL SHIPMENTS</b>			
			<b>31</b>
<b>TOTAL CHARGES</b>		<b>USD \$</b>	<b>670.39</b>

## FedEx Express Shipment Detail By Payor Type (Original)

Picked up: Sep 09, 2005      Payor: Shipper      Reference: MA RC

- Fuel Surcharge - FedEx has applied a fuel surcharge of 13.00% to this shipment.
- Distance Based Pricing, Zone 5

<b>INET</b>		<b>Sender</b>	<b>Recipient</b>
Tracking ID	792522804212	Kathleen Houle	Gini Singh
Service Type	FedEx Standard Overnight	Bay State Gas	337002
Package Type	FedEx Envelope	300 Friberg Pkwy	ATLANTA GA 30332 US
Zone	5	WESTBOROUGH MA 01581 US	
Packages	1		
Weight	N/A	Transportation Charge	15.95
Delivered	Sep 12, 2005 08:57	Discount	-2.55
Svc Area	A2	Fuel Surcharge	1.74
Signed by	W.CHERRY		
FedEx Use	000000000/0000233/	<b>Total Charge</b>	<b>USD \$ 15.14</b>